The MAGAZINE of WALL STREET

and BUSINESS ANALYST

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By STANLEY DEVLIN

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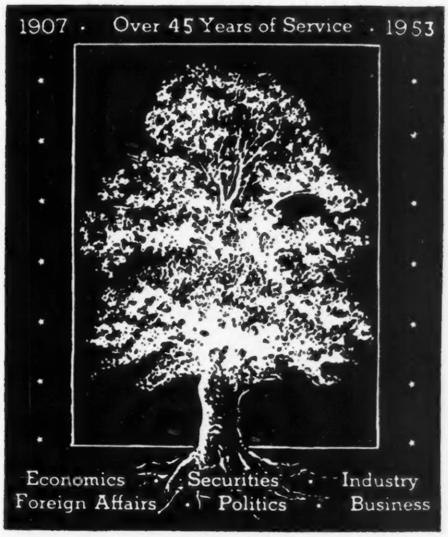
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

WHAT SHOULD BE EXPECTED OF PRESIDENT EISENHOWER?... Dwight D. Eisenhower has been inaugurated as the thirty-fourth President of the United States and thus has reached the summit which long has been clearly marked as his destination. Entrusted with the enormous power conveyed by the Presidency, he finds himself immediately confronted with the necessity to make decisions that will have a profound influence on the future of this country and the rest of the world alike for generations to come

For this is the task which fate has decreed for President Eisenhower. It is an awesome responsibility and perhaps beyond the strength of any one mortal. Yet, such is the reputation of this man for accomplishing the seemingly impossible, it is not surprising that, outside the Iron Curtain, the hope for his success and the belief in it is well-nigh universal.

In view of the need which the free world has of ending the tension which grips it, it is understandable that in effect it is delivering its future to the keeping of the new President, whom it recognizes as its leader as well as that of the United States.

What is it then that the world and this country expects from the new President? Essentially, it is to unify and strengthen the entire free world under American leadership. But this presupposes that our own strength is fully maintained, for without it the rest of the free world will remain weak. In order that our strength be not dissipated in futile bickering with our allies however, it will be necessary for the world to ungrudgingly accept the new policies by the American government that are surely in the making.

After all, we did not seek world leadership. This responsibility has been thrust upon us and it certainly imposes a tremendous burden on the American people. The very least we can ask in return is that our associates show that they recognize our leadership by accepting our world policies as their own. If, therefore, the free world expects President Eisenhower to provide its security, he has a right to demand that they fulfill their obligations without cavil. It seems to us that the time for pleading with our allies and continually appeasing their fears is passing. We believe that President Eisenhower is fully aware of the implications of this situation and that he will in no uncertain terms make his position plain. This is what the American people, at least, expect from him. We doubt that they will be disappointed.

RAISE IN REDISCOUNT RATE . . . The Federal Reserve Board of Governors has just raised the rediscount rate to member banks to 2%. Ths is the first increase since the rate was increased to 1¾% in May 1950, when it was raised from 1½%. The raise is a reflection of the too rapid expansion of borrowings of commercial banks from the Federal Reserve. Last year, for example, approximately \$9 billion was the increase in loans and in-

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS : : 1907 – *"Over Forty-five Years of Service"* – 1953

vestments of commerical banks bringing the total earnings assets up to the highest in seven years.

It is not surprising, under the conditions, that the rediscount rate should have been increased since, under the expansion of loans and investments, commercial banks have been forced to rediscount at a more rapid pace, producing a situation where the Reserve system felt impelled to take its first important move in restricting the use of credit.

The recent action may be taken as a signal not only of growing tightness in the money market but also as an expression of belief by the authorities that there will be no halt to the current upsurge of business activity. Since this might renew the old inflationary threat, it was essential for the Reserve Board to step in while there was still time to prevent another disastrous rise in prices. It is not without significance that the traditional mechanism of regulating credit should have been put into effective use just before the accession of the new Administration. This is a definite sign that we are about to return to a more orthodox handling of our national financial problems.

The investment markets' reaction to the raising of the rediscount rate was normal. The action of the bond market, particularly federal issues, has shown for some time that the actual level of prices was subject to some internal pressure, arising from fears that the money market would stiffen.

FEDERAL REGULATION OF BUSINESS . . . It is not generally realized that while we are ostensibly operating under a private enterprise system, hardly any important segment of business or industry remains unregulated by the government. Under the circumstances, the area of initiative and freedom of action must remain restricted to the degree in which the federal authorities exercise control. The list of federal agencies charged with supervision of various segments of our economy is impressive. Among the more important are: The Securities & Exchange Commission, the Federal Power Commission, the Federal Communications, the Federal Trade Commission, the Interstate Commerce Commission and the Maritime Commission. Each of these agencies can and does exercise great influence on the respective industries and business activities which they supervise.

When to the above is added the specialized agencies which directly operate the vast commercial and proprietary interests of the government, it will be seen that our private enterprise system has moved a long way towards our own peculiar form of socialization. For example, the government on its own is engaged in the following activities: electric power, fertilizer, synthetic rubber, atomic energy, railroads, shipping, life insurance, and buys and sells farm products and metals. Altogether, its direct ownership of these facilities amounts to the tidy sum of over $20 billion.

Most of these operations came about as a result of war conditions and some experimentation by the New and Fair Deals. Some were inevitable, under the conditions, and others the result of capricious government policy. It would seem that the time has arrived when a thorough re-examination of the functions of these various agencies should be undertaken by Congress, with the view to deciding which of these functions should be retained and which abandoned. It should also carefully examine the workings of the older Commissions with a view toward modernizing their methods to the benefit of business, as a whole.

HOW REAL ARE INDUSTRIAL PROFITS? . . . According to a report issued by the Machinery and Allied Products Institute, post-war profits of American industry were over-stated by $38 billion. This calculation is based on the usual practice of estimating depreciation charges on original rather than replacements costs. As can easily be appreciated, the difference in accounting is important in a cycle of rising prices such as we have had since World War II. Thus, the Institute, in its report, emphasizes the fact that since replacement costs are now so much higher than original costs, part of stated profits, in reality, represent "the increase in the cost of replacing the physical assets consumed in production; and, hence, are not profits at all."

The practical aspects of this situation, of course, are involved with the problem of maintaining corporate financial stability. If it can be argued that a portion of stated profits are not profits but represent potential replacements at high costs, it is obvious that this portion of "profits" has already been absorbed through inflation and that the equivalent amount of funds thus lost must be found through new financing.

An important by-product of this situation is that the former government, for political reasons, used the nominally great amount of corporate profits and savings as "proof" that the corporations profited unduly at the expense of the public. Placed in its proper light, it would seem that real profits have been by no means as large as the recent Administration would have had the people believe. It is, therefore, unfortunate that business interests have not thought it worth while to counter the Administration's pronouncements on this matter with a statement of the actual facts.

In the future, leaders of industry should not hesitate to take the American people into their confidence on the vital matter of their costs. The public may not be skilled in economics or accounting but it can appreciate facts if they are properly presented.

THE TROUBLE WITH NUTS AND BOLTS . . . Mutterings from the bolt and nut manufacturing industry are becoming more audible. It seems that domestic makers are being under-cut by foreign competition from 5 to 10%. Not only is the domestic market affected but competition, especially from France and Belgium, has spilled over into the normal export channels of the American manufacturers. Canada, for example, which usually furnishes a large market for bolts and nuts of American origin and which was the scene of active competition during the period when U.S. steel was in short supply, seems likely to turn to Europe for a larger portion of its supplies than American companies care to contemplate. In that way, a good customer may be lost to the industry.

The situation is not without ironical overtones. Most Americans agree that an economically strong Europe is not possible unless the continent has greater access to our markets. Yet, when European manufacturers, looking for scarce dollars, find a way of competing through (*Please turn to page* 504)

As I See It!

By JOHN CORDELLI

TIME FOR A CHANGE IN BRITISH POLICY

We wish we could have been hiding behind the draperies listening to the brilliant discussions during the private dinner at the British Embassy in Washington a couple of weeks ago in honor of Britain's Prime Minister, Mr. Churchill. It appears that Mr. Acheson, master of clear and well-reasoned thinking, was at his best at this memorable repast, at which the leading British and American statesmen exchanged their views with unusual frankness. In what was, in a way, his unofficial swan song, the retiring Secretary of State apparently made a strong case for a more daring and more positive foreign policy on the part of Great Britain.

Darling in the N. Y. Herald Tribune

Obviously deeply aware of the responsibility that the leadership of the coalition of free nations against Russian aggression has placed upon the United States, Mr. Acheson asked that Great Britain share in this leadership. But while welcoming the revival of British partnership against Russia, Mr. Acheson also stressed that "this is no time to temporize". On the contrary, in his judgment "this is the historic moment when *bold decisions might produce historic results.*"

"Britain must regain some of the boldness which marked her record so prominently and magnificently in the past" were the reported words of the Secretary, who has often been labeled pro-British by his critics. Britain must act with the imagination shown in the case of India, Mr. Acheson is reputed to have said to Mr. Churchill, particularly in dealing with the Iranian oil problem and Suez control, and other matters in the explosive area that is the Near East. Mr. Acheson, who is reported to have been studying recently the official British documents relating to the period between the passage of the Stamp Act and the American War of Independence, is said to have remarked rather ironically that some of the recent complacent assumptions made by London on the situation in Iran read reminiscently of the complacent observations made by British politicians some 180 years ago. Yet the loss of Iran would be a first class disaster which might even deliver India into communist hands. There is no other place today of the strategic importance of Iran, forming as it does a bridge joining two parts of the Free World. Moreover, Iranian oil would give to the communist armies the mobility they now lack.

The man whose tenacity and boldness helped 12 years ago to win "the battle of Britain" is reported to have met Mr. Acheson's arguments "without enthusiasm". With their gift for understatement, the British diplomats apparently told us that we are overly alarmed, impatient and unrealistic in dealing with problems such as that of common European army.

There may be some truth in that, but on the other hand Britain's policies during the inter-war period and some of the decisions of the Labor Government after the war, especially with respect to the Chinese communists, have been tragically naive in judging the intentions of dictators, whether Hitlers or Stalins. While American policies during the interwar period may have been unduly influenced by provincialism—the kowtowing to the great American Middle West—there was nevertheless a flash of dynamism and boldness in some of the actions urged by Messrs. Stimpson and Hull, and indeed in Mr. Truman's decisions on Greece, the Berlin air lift, and, above all, Korea.

Compare this with the British policies in the "Thirties" when the Japanese invaded Manchuria; it was the British Government that rejected the offer of Secretary Stimpson to move against Tokyo's aggression. The British did exactly nothing when Japan—which had been built up earlier by the British as a Far Eastern counter-balance to the Americans and the Russians — continued intermittently to weaken China by her demands.

As for Western Europe, (*Please turn to page* 505)

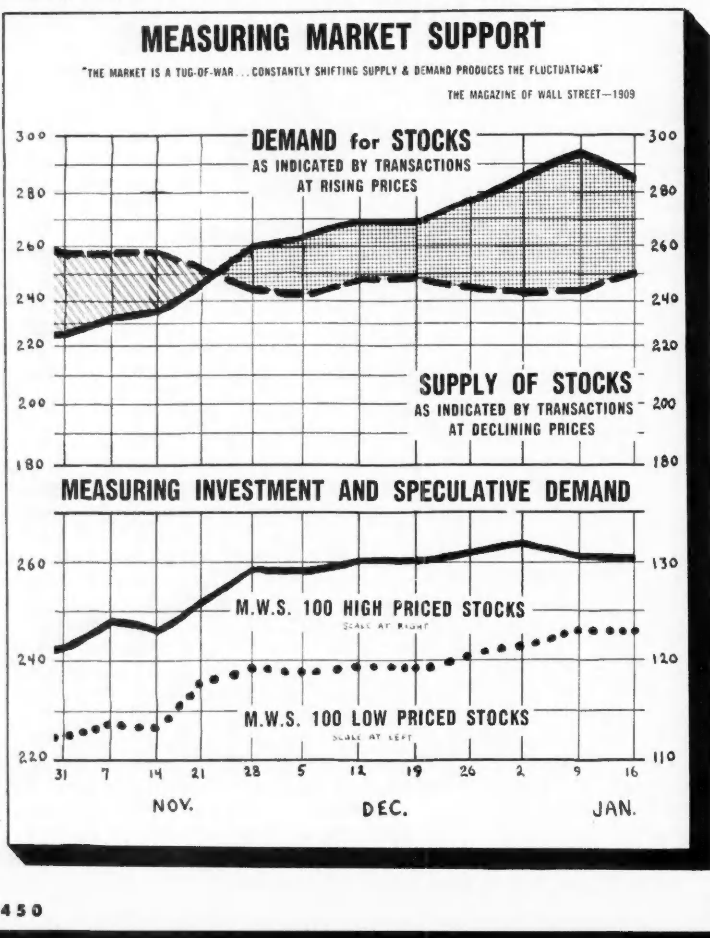
Market Interest in Special Situations

In a continuing selective market, "the averages" reacted moderately over the last fortnight. At this stage, the presumption is that this is merely a normal correction of the post-election advance. It coincides with something of a wait-and-see mood on nearby clues to Eisenhower's detailed policy decisions. You should continue to emphasize discrimination.

By A. T. MILLER

The net change in average stock prices over the past fortnight was moderately downward, reflecting the first sizable correction of the substantial post-election advance. After reaching a bull-market high of 293.79 on January 5, the Dow industrial average reacted to 285.24 on January 12, the initial trading session last week. There was a mild subsequent rebound, marked by contraction of trading activity even under the modest level seen at the January 12 low point of the corrective phase to date. Nearing the week-end, easing tendencies developed again.

Having outgained industrials for some time, rails felt the need for technical correction sooner. This average topped, at least temporarily, on December 22 at 112.53, reacting to 108.91 early last week. After a small one-day rally, it became evident that buyers were not yet ready to start reaching again for rails, with the exception of a few individual situations here and there. The average fractionally penetrated its January 12 low by the end of the week. Following attainment of a high on December 30, the relatively sluggish utility average eased fractionally, with subsequent fluctuation nominal up to this writing.

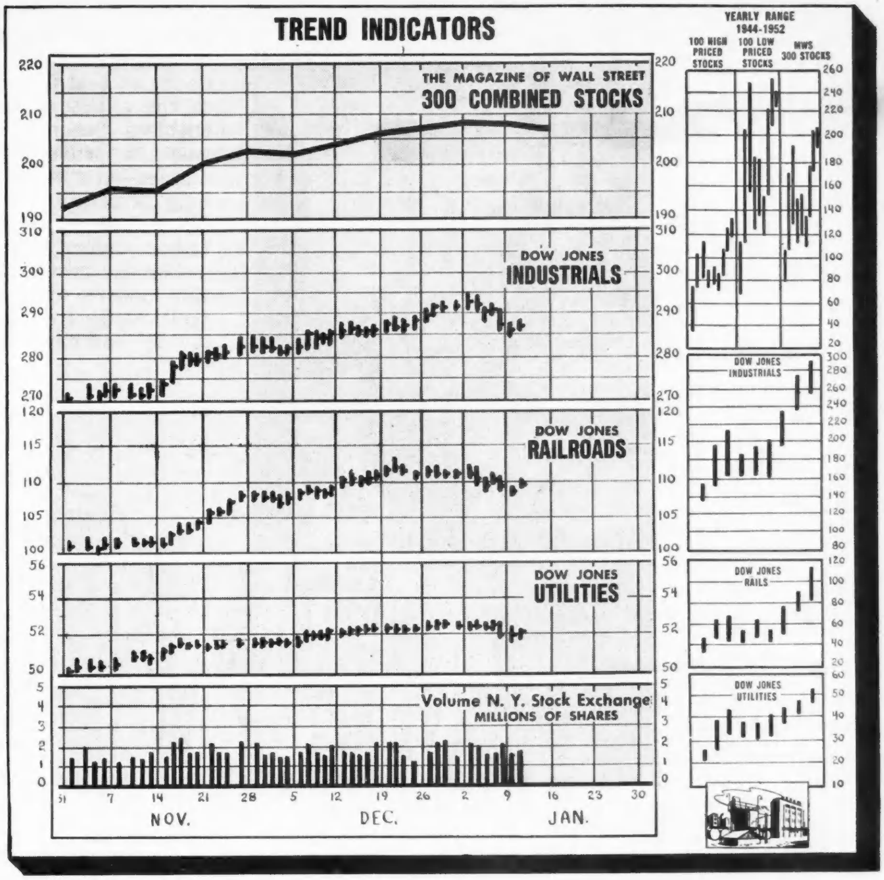


How Much Correction?

At last week's lowest closing levels, both the industrial and rail averages had cancelled roughly a fourth of their advances from the intermediate-reaction lows recorded last October, shortly before the election. So far as the possible proportions of a purely technical correction are concerned, the old rule of thumb—too broad to be of any great practical value—"allowed for" cancellation of anywhere from a fourth to three-fourths of a prior phase of advance. It has even less practical value in the present market. That is because it is largely a selective, investment-dominated market. The margin position is insignificant. Aside from a "fringe speculation" in a rising number of low-priced stocks – which has not been sufficient to have any appreciable reflection so far in the relative behavior of our weekly index of 100 low-priced stocks – speculative operations in this market, on a cash basis, have remained about as selective and discriminating as investment operations. And since it is, of course, a regulated market, bear raids of professional-trader origin are out of the picture.

For these reasons there is limited justification for mere technical reactions, which means that a "correction" today can hardly be entirely technical if it cancels much more than a fourth to a third of the prior rise, or roughly what has already been cancelled after gains—certainly more moderate than extreme—of less than 12% by the industrial average, and less than 15% by the rails. The longest rise, without an intermediate reaction, in this bull market ran for

about 12 months, from mid-1949 to the start of the Korean war. The subsequent trend to successive, fairly widely-spaced new highs has been far more jagged. It has been marked by ten phases of advance, ten substantial downswings, none of which, however, developed cumulative liquidating momentum. The latter were generally called "corrections" when they started. Actually they were in greater measure, for one reason or another and in varying degrees, reflections of shifts from optimism to a more cautious psychology.



It has, of course, been highly improbable from the start that the "Eisenhower rise" could continue as a long-sustained one, without interruptions of more or less importance, including reactions and some "wait and see" trading-range phases. However, the significance of the recent and current performance cannot be soundly judged on the limited evidence at this writing. For the reasons heretofore cited, the requirements of "technical correction" have already been met, or nearly so. If that is all there is to it, the averages should either level out shortly in a base for renewed rise or get going again on the upside without much of a resting phase.

Easing tendencies in the final trading session last week might plausibly be explained by that day's news that the Federal Reserve Board had moved to raise central-bank rediscount rates from the long-maintained 1¾% to 2%—a fairly mild anti-inflation step intended to brake commercial bank lending by further tightening the money market. However, as brought out at the start of this discussion, rallying efforts in the sessions immediately preceding this news were lacking in vigor, measured both by scope and trading volume.

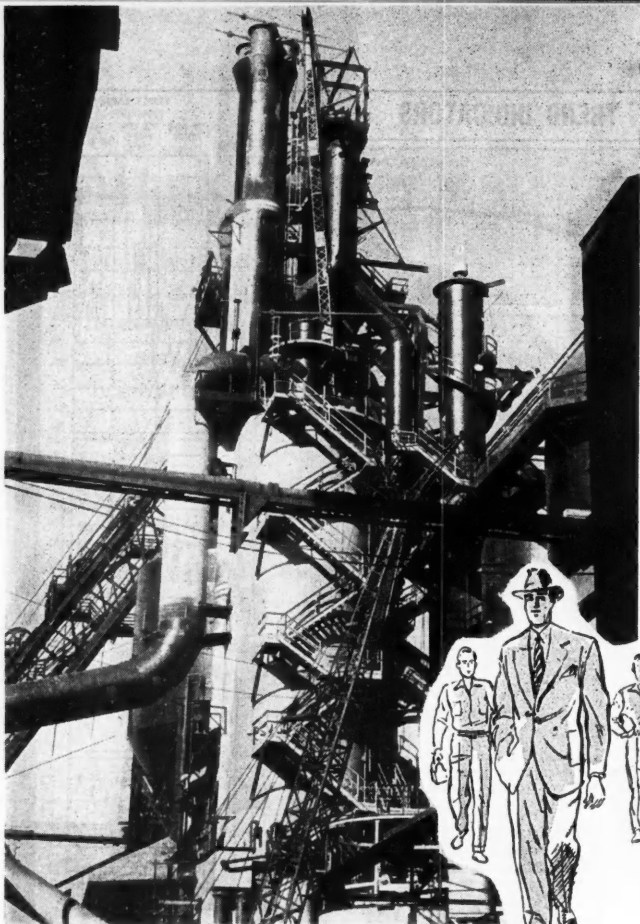
The constructive general factors are unchanged. They are the major lift to investment confidence imparted by the conservative political shift; investors' expectation of maintenance of the present high plateau of economic activity "at least for the first half", if not possibly beyond; year-to-year improvement in average corporate earnings, begun in the fourth quarter of 1952 and expected to continue for the current half; continuation of record-high dividends; the promise of EPT relief after June 30, and possibility of some personal income-tax relief at the same time. However, these considerations have not been ignored by the market, even though price-earnings ratios have remained fairly moderate, prevailing dividend yields fairly attractive. To note that they have not gone undiscounted is not to argue that they have been exhausted more than temporarily. As to that, a reasonable amount of additional time may be required for clarification.

Wait For More Light Conceivable

Among other things, investors in the recent past may have been inclined toward some profit taking and less aggressive buying while awaiting the Eisenhower inaugural address and other clues out of Washington that might throw more light on detailed policy. We have had the stage of general and pleased anticipation; and now start the stage of policy revelation and action. Maybe by the time you read this, market confidence will have been revitalized, maybe not.

It remains, as it long has, "a market of stocks", with shifting investment and speculative preferences. Stock groups faring significantly better than average in recent days up to this writing include aircrafts, auto parts, beer brewers, meat packers, food brands, natural gas, cigarette stocks, baking, bank stocks and casualty insurance stocks.

There is some evidence of increased attention on the benefits of lower-cost raw materials, present or prospective, in selected situations. Some affected lines include biscuit bakers, bread bakers, cigarettes and snuff, corn refiners, restaurant chains (lower food costs), carpets, shoes, confectionery and soft drinks, and soap makers. Cane sugar-producer stocks remain conspicuously weak. Among the sluggards are auto trucks (*Please turn to page* 505)



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The Meeting of Minds

—*To Correct Uneconomic Labor Demands*

By THOMAS L. GODEY

American Labor is at the crossroads. It can elect to go forward in cooperation with the new Administration, in enlightened concert with modern business management, or it can stubbornly stick to the out-moded and outworn concepts under the New and Fair Deals, and which long since have outlived their usefulness, both to Labor and the public at large.

For the past 20 years, leaders of organized labor have had things largely their own way as a vote-conscious national administration bowed to their demands in the belief that the labor vote was the balance of power in presidential and congressional elections. *Labor problems which should have been handled on an economic basis were considered from the political standpoint.*

If administration and congressional solutions produce votes, well and good! Meanwhile, Management could struggle with problems created by this Labor-White House-Congressional alliance as best it could. Management, according to the alliance, was composed of a group of ruthless "economic royalists," while Labor was the crusader for better things for the masses—a sort of Madame LaFarge whose busy knitting needles recorded the fall of Management heads to the insatiable blade of Labor leaders' demands.

For the two decades, it was good going for the leaders of organized labor and for the politicians. At least it seemed so. Ironically, it was "bad medicine" for both, and even worse medicine for the rank-and-file of Labor, to say nothing of the millions who have no labor union affiliation or position in the field of Management.

The Picture Changes

With a new President in the White House, a new Congress on Capitol Hill, a new Party in power, union leaders find themselves in a position radically different from that of the past twenty years. Political support of union demands – regardless of economic consequences – will not be so readily available.

The Eisenhower Administration has no political obligation to organized labor as it is represented by its leaders. It was those leaders who openly threw their support to the Democratic nominee, Governor Adlai Stevenson.

The Democratic nominee went "all out" on union leaders' demands for outright repeal of the National Labor Relations (Taft-Hartley) Act. General Eisenhower pursued a more temperate course, stating he would do nothing to stifle the legitimate aims of labor. He said that if there are inequities in Taft-Hartley he would approve amendments to correct such inequities. But, he pointed out, amendments and modifications of the Act must be in the best interest of *all the people*, including labor and management, not merely in the interests of labor, at the expense of management, *or vice versa.*

There is no need to comment on the Eisenhower majority, nor can it be said that the election returns indicated overwhelming popular sentiment for more restrictive labor legislation. However, examination of returns from the highly unionized areas of the

Nation indicate the Eisenhower approach to Taft-Hartley was more popular with rank-and-file union membership than the Stevenson rigid acquiescence to demands for outright repeal of the statute.

For the leaders this has raised a serious question as to the amount of leadership they actually exercise. There is one exception—that of John L. Lewis—he came out for the Democratic nominee because the latter favored repeal of the hated T-H; election returns from the coal mining regions would indicate the membership of the United Mine Workers "followed the leader" and voted Democratic. However, it is recalled that Lewis experienced no such following in 1940 when he endorsed the presidential aspirations of the late Wendel L. Wilkie. The miners pretty solidly voted for Franklin D. Roosevelt.

A Serious Problem for Labor

So, union leadership is in a quandary. Despite high-pressure tactics on behalf of the Democratic nominee, rank-and-file membership dropped polling booth curtains behind them and helped pile up that 6,000,000 majority for the candidate who took the moderate approach to labor-management legislation. Bluntly, union membership, in the assured privacy of the polling booth, voted personal convictions—not the demands of union officers.

Two other incidents within the span of a single year gave union big-wigs notice that their leadership was considerably under par. The writer refers to Senator Robert A. Taft's November 7, 1951 victory in Ohio, and the abortive steel strike of last summer. Union leadership put their best—plus liberal funds from union treasuries—into the Buckeye State campaign with the avowed intent of retiring the Senator, while final settlement of the steel embroglio was definitely a blow to the prestige of steelworker leadership.

The steel strike, which deserves no other term than "abortive," had the support of President Truman yet panned out a failure, especially from the rank-and-file standpoint. Steelworkers lost heavily in wages, the Nation's economy received a severe blow, while the steelworkers, after 54 days of idleness, settled for *less* than the Wage Stabilization Board had agreed was proper under the Government's wage stabilization program.

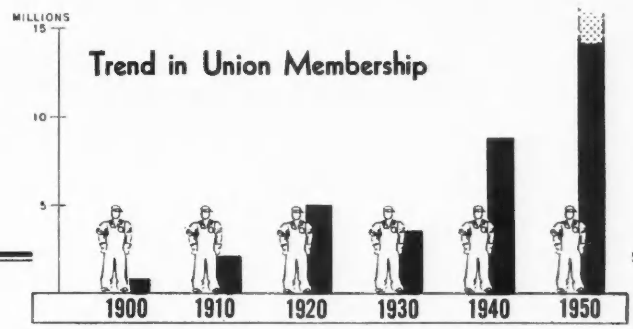
New Leadership Approach

With two severe political reversals in mind, and not too pleasant memories of the steel stoppage, leaders of union labor are making a careful reappraisal of themselves and the entire labor movement. They see 1953 as the beginning of an era in which labor can make solid gains other than mere wage boosts which, when overdone, only cheapen the worker's dollar, thus contributing to the inflationary spiral of ever-mounting living costs.

It can be stated that responsible union labor leadership is now more concerned with broad, constructive legislation for the benefit of Labor and Management alike, than for repeal of Taft-Hartley or the return of the lop-sided Wagner Act which gave labor everything and left Management to shift as best it could. Legislation which would minimize strikes, without undue compulsion by the Courts, will be earnestly sought by most of the outstanding labor figures this year, despite the fact that John L. Lewis, United Mine Workers chieftain, still demands repeal of a law which he chooses to call a slave labor measure.

Today, labor leaders are scanning controls, taxation, foreign aid, tariffs—to name a few of the national problems in which labor is interested.

Controls affect labor, and often unfavorably. Price and rent controls have seemed good in other days, but sensible labor leaders realize wage controls are an effective corollary to price controls. This for the



EXCLUSIVE STATEMENT FOR THE MAGAZINE OF WALL STREET

By George Meany, *President, American Federation of Labor*

One of the most encouraging labor-management relations is the developing realization by industrial leaders that it is bad business policy to carry on constant warfare with unions representing their employes.

When management complains it just can't get along with the union, it is a confession of failure on the part of management to do its job properly.

Let me make this point clear — every union I know of wants to get along with management. That is the only way a union can grow strong and secure. That is the only way a union leader can make a success of his job.

From my experience, I can testify that when an employer wants to treat his workers fairly and is willing to bargain in good faith with their union, he is bound to get a constructive and cooperative response. To my mind, that's the whole secret of good labor-management relations.

Today, when the free enterprise system and our whole free way of life are threatened by Communist aggression, it is more important than ever that we achieve real national unity in America. Labor-management peace would be an important step in that direction.

Today, when labor in many parts of the world is dominated by Communist doctrine, American employers should thank their lucky stars that American labor supports the capitalist system. Instead of trying to weaken and destroy the American trade union movement, employers should cooperate with it for their mutual advancement.

simple reason that wages are roughly 84 percent of production costs; ergo, there can be no effective price controls without wage controls. Therefore, labor leaders doubtless prefer that prices be controlled by the law of supply and demand and that wage controls be left to free collective bargaining rather than to bureaucratic whim.

In the field of taxation, labor leaders are scanning, and closely, taxes on business—on profits to be exact. For many years the "soak the rich" theory of taxation held strong demagogic appeal, but there has been the awakening that you don't "soak" one class of taxpayers without soaking all classes. High taxes on successful corporations or private enterprises travel down the line in higher prices to the consumer, and leave less money with which to pay better wages. Further, excessive taxation destroys individual, even corporate incentive, to produce more goods for more people.

Tariffs

Looming large in the 1953 program of labor leaders is the matter of tariff barriers. Always there has been the fear that low tariffs would flood this country with cheap foreign wares at the expense of the American workingman. Leaders are still divided on this subject, but as one ranking labor executive explained it to this writer, U.S. taxpayers are footing many of the free world's bills simply because other nations are barred from selling to us, or only on such restricted terms as to leave them dollar-starved.

"The whole tariff situation needs thorough reappraisal," he declared, adding that doubtless it would be more economical for all of us, labor and management alike, if we gave European nations an opportunity to support themselves through freer exchange of goods, rather than support those nations through direct taxes on our people. And, he concluded, we *are* contributing heavily to the support of other nations because of tariff barriers.

American Labor, according to this same leader, has nothing to fear from immigration. However, he continued, there must be careful selectivity of those we would admit to our shores. They must be people whose skills and training can contribute to the agricultural and industrial economy of America. He added that he did not approve the "meat axe" methods of the McCarran-Walker Act, but said it must not be wiped out overnight because it is disliked by some of the more radical elements in this country and abroad. There can be a happy medium whereby we can gain desirable new citizens and at the same time relieve much of the distress prevalent in overpopulated portions of the Old World.

Social Legislation

Although Labor has enthusiastically endorsed much of the social legislation of the past 20 years, even this is having reappraisal. Among the questions being asked are how secure is social security? Is social security costing too much? Can privately managed retirement plans be more effective, more generous, more efficient?

It is true that some of the larger unions have enthusiastically endorsed the recent report of the President's Commission on the Nation's Health Needs, yet it is significant that within days after that report was issued, the powerful International Association of Machinists announced plans to assist its membership in working out, at local levels, *voluntary* prepaid health plans.

Although he was speaking only for himself, George Meany, president of the American Federation, has aptly summed up organized labor's constructive attitude toward its future course and responsibilities. Furthermore, Meany said the AFL has confidence in the sincerity of President-elect Eisenhower's pledge to be fair and just to the nation's workers. Of even greater significance, is his exclusive statement to this Magazine which appears herewith.

Almost similarly, the Congress of Industrial Organizations, now headed by Walter P. Reuther, makes a mild approach to the new Administration and the new Congress. In a New Year message to CIO membership, Reuther declares stable and constructive labor-management relations essential to America. The free world, he said, can only be built on a foundation of economic and social justice which will permit American workers and their families to enjoy ever higher standards of living made possible by advancing technology.

Here again we find a powerful labor leader speaking in moderation, without threat, without blind demand for repeal of Taft-Hartley.

Careful perusal of a dozen or more national labor publications reveals similar thinking on the part of labor leaders. Only John L. Lewis, of the United Mine Workers, remains as a hold-out for repeal of Taft-Hartley and, thus far, this writer has been unable to locate any pronouncements by Lewis on other problems confronting the new administration.

Work Stoppages, 1945-1952

Period	Stoppages beginning in year	Workers involved		Man-days idle during year (all stoppages)		
	Number	Number (thousands)	Percent of total employed	Number (thousands)	Percent of estimated working time	Per worker involved
1952	4,950	3,500	8.7	55,000	.5	15.7
1951	4,737	2,220	5.5	22,900	.2	10.3
1950	4,843	2,410	6.9	38,800	.4	16.1
1949	3,606	3,030	9.0	50,500	.6	16.7
1948	3,419	1,960	5.5	34,100	.4	17.4
1947	3,693	2,170	6.5	34,600	.4	15.9
1946	4,985	4,600	14.5	116,000	1.4	25.2
1945	4,750	3,470	12.2	38,000	.5	11.0

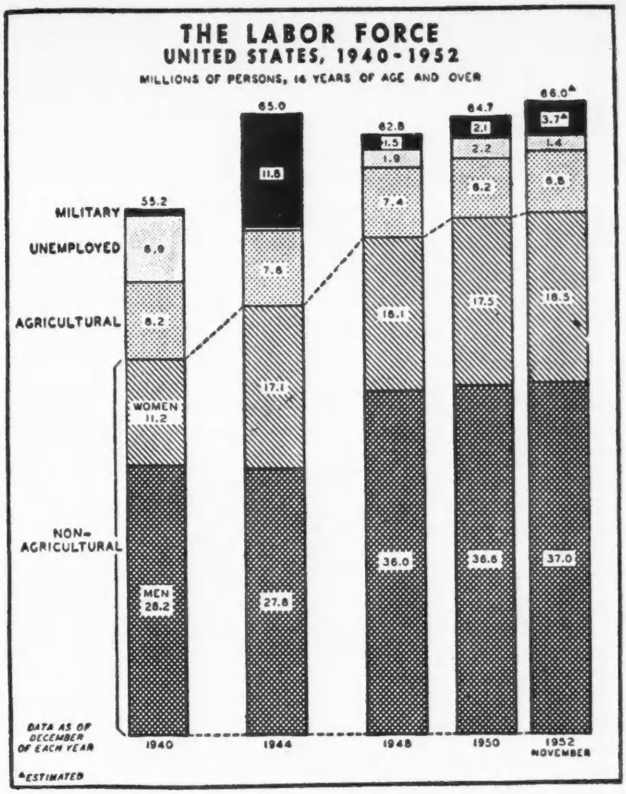
The new Secretary of Labor, Martin Durkin, who came up the hard way, from apprentice plumber to his Cabinet post, thinks there has come the time to end the labor-management feuds of other days. He too has abandoned the adament attitude toward T-H, declaring he would concentrate on three main objectives when he assumes office. They are:

Durkin Speaks Up

1. Strengthen the Department of Labor so that it can be of greater service to the nation's worker's.
2. Improve labor-management relations by every available means so that losses in production resulting from strife can be reduced to a minimum.
3. *Seek agreement on changes in the present labor-management laws which will be acceptable to both labor and management and which will protect the public interest.* (Italics supplied).

Admitting this to be a "big" program, nevertheless Durkin has confidence that President Eisenhower, labor, business, and Congressional leaders will cooperate.

And there we have a summation of labor's plans, as represented by its leadership; cooperation on the part of all segments of labor, industry and Government. This writer is definitely of the opinion that labor union leadership will strive to cooperate, not only in the field of labor-management relations, but in other areas vital to the nation's economic welfare.



Once again, the American Federation of Labor and the Congress of Industrial Organization are talking of consolidation—have even appointed committees to "explore" the proposal. And, such a consolidation might pose a grave threat—could bring into being a too powerful labor combine.

This writer predicts that the consolidation will not come about; and the prediction is based on statements from strong figures in both organizations. Briefly, they say it cannot be because of the "human equation." Consolidations bring eliminations of top-flight executive posts, raise the question of who is to be boss of the top set-up. Right there, they declare, is the insurmountable barrier, while one privately admits both sides don't know what Mine Workers, President John L. Lewis might do in the way of raiding the individual unions in both organizations which might look with jaundiced eye upon consolidation.

Frankly, organized labor finds itself at the cross-roads, either it will become a constructive influence for the good of all people or it can be a destructive influence, with rank-and-file membership doing the major suffering.

Steadily improving engineering techniques, newer labor-saving machinery are making stepped-up production daily realities. Labor is entitled to share in these gains, and will share in them to the extent that it keeps in step with progress. If labor demands and gets more than its fair share, it will hurt only itself. With labor the major item in production costs, excessive wage demands only come back to labor in the form of higher prices for everything labor consumes.

Government can do nothing to alter this basic fact. You cannot write a contract that will set aside this fundamental law of economics. It is a fact that prices have a habit of jumping a little faster and a little higher than wages in periods of inflation.

In a capitalistic system such as ours, labor must be gainfully employed, else the system will collapse, with resultant unemployment. Experience has shown our system to be the best in the world; the best interests of everyone are served when our system is kept healthy and strong.

Stability of our economy should be the watchword of organized labor, not merely higher and higher wages, especially if those higher and higher wages are to be paid with devalued dollars, much of the devaluation directly traceable to unreasonable production costs—and labor is the largest single item in such costs.

What it all sums up to, therefore, is that, for all practical purposes, Labor has lost the political advantages it has enjoyed for the past two decades. It must now revert its policies to a purely economic basis. That is to say, the important question of wages and hours must be settled in a framework that takes into consideration the needs of the entire population, as well as Labor itself.

The intensive drive of the American economy toward expansionism has now reached a point where the problem of costs in an increasingly competitive world becomes a paramount issue. Since labor is the principal element of costs in our economy, it must operate within a framework that will permit American industry to compete profitably.

In a previous article, this Magazine has shown that American corporations have found it profitable to adopt a highly enlightened attitude towards their responsibilities—stockholders, labor, the public and the government. It is now up to Labor to engage in this great cooperative enterprise for the welfare of the entire nation, including Labor itself.

WHICH INDUSTRIES Offer Best Prospects for 1953?

PART II By GEORGE W. MATHIS

Barring the early outbreak of full-sized war, prospects for which seem to be diminishing, the most important business change in the coming year should be an increase in the ratio of civilian production to the total national product. This is due, in part, to the now relatively complete state of military preparedness in general, which has now been at a high rate for almost two years; and, second, corollary to this, the stretch-out in defense production which will facilitate the availability of materials for civilian use.

This was referred to in a general way in Part I of this industrial survey but has a more specific application, for example, to such industries as automobiles, large-scale construction, including road-building, television, and heavy electrical apparatus, all of which should benefit from the improved access to many supplies, hitherto scarce or lacking. They should also benefit from ending of controls of various sorts.

Under these gradually changing conditions from military to civilian output, competition for the available civilian markets should show a steadily increasing tendency from now on but this should be more or less fully absorbed by the immense national income enjoyed by the now practically fully employed population. On the other hand, increased competition normally means pressure on prices so that it would not be surprising if the general price level should recede, though the percentage change is not likely to be large.

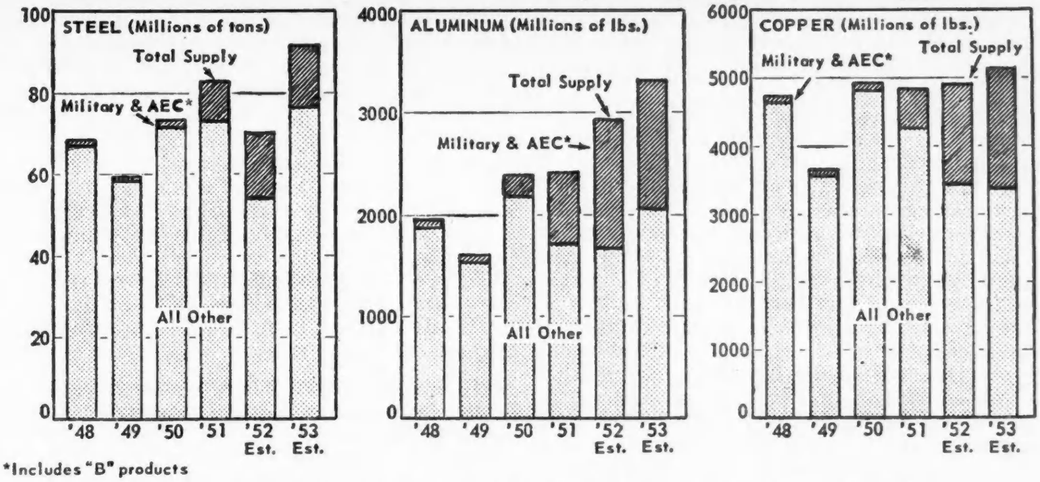
This is part of a major trend which indicates a slow but moderate return to a more normal condition in which the buyer retains an advantage. In any case, it is clear that the inflationary impetus given by the outbreak of the Korean war which has been waning for some time is likely to be even less in evidence as the new year advances.

The nearby prospects for higher civilian production, however, does not denote that there will be a drop in the amount to be spent in 1953 for federal defense output. This is now running at an annual rate of about $50 billion and is expected to be maintained into 1954. Hence, defense spending will still play a highly important part in the economy. However, the effects will not be uniform. Changes in procurement plans for individual military and allied equipment will necessarily have a bearing on the proportion of defense business to total sales in individual industries and corporations. Some companies will lose varying amounts of defense orders which will have to be supplemented by civilian business if profit margins are to be maintained. Others will find that their share of defense business will remain unchanged or even be increased, so that any additional amount of civilian business they receive will have a direct effect in raising total sales and, therefore, the profit margin.

In the first part of this analysis of the leading groups, we covered such principal industries as: steel, automobile, electrical equipment and public utility. In this final section, we cover other important activities, among them, paper, tobacco, machinery, textiles and merchandising.

PAPER — Consumption of paper last year, as indicated by production figures, was somewhat under 1951, though the latter part of the year showed a rising tendency. Estimated production for 1952 was about 24.4 million tons, compared with a record of 26 million tons the previous year. During the first nine months of 1952, loss of production was due mainly to a fall in output of paperboard. This, however, has given way to considerable improvement in the final quarter of the year, with operating rates achieving a position close to capacity. Production

More steel and aluminum for non-military uses; slightly less copper



Supply of the three basic metals is increasing rapidly as the above chart shows. Of special significance is the increase in the amount available for civilian use. This will aid many industries hitherto handicapped by short supplies of these important metals.

of other paper products has also improved during the final quarter.

In the important newsprint division, improvement is indicated by the well-maintained level of newsprint consumption. For the first 11 months of 1952, total general consumption was 5,552,815 tons compared with 5,461,245 tons the same period 1951. Stocks on hand, at the end of November, represented a 45-days' supply, compared with a 40-days' supply the year previous, the increase, however, being due to enlarged capacity.

Further indicating the improved position of the industry in recent months has been the ending of price weakness in wood pulp prices. As a result of the better world situation, world wood pulp prices have likewise stabilized.

Improvement in the paper situation generally is a reflection of increased business and industrial activity in recent months. Paper and paperboard products are directly affected by volume of production in such industries as textiles, furniture, household appliances, containers and automobiles. Hence, higher production in these industries has benefitted the industry.

Since the first half of 1952 witnessed a decline in both sales and profits, the comparison of the first half of 1953 with the earlier period should be quite favorable. This is true of practically all branches of the industry. A factor that may additionally increase net profits is the possible ending of the excess-profits tax in June. This industry, in particular, has been a victim of high EPT rates and should, accordingly, be an important beneficiary when the tax is allowed to lapse.

TEXTILES — Conditions in the textile industry, while improved, are still mixed and even though sales generally are increasing, most manufacturers are complaining about the low profit margin. However, there is a distinctly bright spot in inventories which have been reduced to a level where new orders must be filled from current production. This represents a big change over a year ago. Indicating the dimensions of this basic improvement is the drop in department store stocks now down about 6% compared with a year ago. At the same time, department store stocks of piece goods and household textiles are down about 21%. With sales now increasing, the improved inventory position makes for a combination that should raise the earnings potential of the industry over coming months.

Lower prices for wool have recently seen a moderate increase in the use of the natural fibre in woolen and mixed goods manufacture, at the same time that conditions in the synthetic fibre end of the business are set for a change for the better. Manufacturers in the synthetic textile industry report better demand. Apparently, the decline in profits which set in early in 1951 has been arrested.

Newness in fabrics is an important element in textile trade recovery but mill runs are short in an evident desire to keep current demand and supply evenly matched. An added factor leading toward recovery has been liquidation of obsolescent style goods. The rayon industry has not as yet matched improvement in other branches and a return in demand for some trade cotton fabrics has had some effect in holding down sales of these synthetics.

Prices generally remain low and while sales volume is increasing, the profit margin remains unsatisfactory. Nevertheless, the more or less complete ending of inventory losses in addition to rising sales volume is commencing to end the period of deficit or near-deficit operations with the result that even a small improvement percentagewise in earnings in the next few months should make a favorable comparison with the extremely depressed results of early 1952.

RAIL EQUIPMENT — Expenditures for railway equipment in 1952, with the fourth quarter estimated, were placed at approximately $952 million compared with $1.05 billion the previous year, registering a drop of 9.4%. It is indicated that railroad expenditures for new equipment in the first quarter of 1953 will show a decline of about 19% from the same

period 1952. On the other hand, road maintenance expenditures are expected to rise about 11% during the period. Declines in new rail equipment business should be offset to a large extent in the case of those companies holding large government defense orders.

The need for construction of new railway freight cars remains as great as ever but difficulties in securing sufficient quantities of the right kind of steel needed for various parts are continuing despite the general easing in the steel situation. For example, structurals, plates and channels are hard to come by whereas steel for wheels, axles and castings are comparatively plentiful. In any event, actual output of freight cars last year averaged only 5656 per month, a far cry from the 10,000 wanted in 1951. The average amount produced in 1952 about equals those that will be retired average monthly for the period 1953-54. Backlog, estimated, at slightly over 90,000 cars against over 132,000 a year ago. Competition among the diesel locomotive manufacturers is growing keener with the total now only about four months' business. This is a reflection of the advanced state of dieselization among the railroads since the end of World War II.

Special equipment, especially signal and communications, is in good demand, along with sustained expenditures for round-house and yard improvements. Locomotive manufacturers, especially, are heavily involved in defense manufacture and while their primary business is slow, plant capacity is maintained through building such items as combat tanks, the program for which is apparently slated to continue on well into 1954. Other specialized manufacturers, such as airbrakes, seem headed for a reasonably active year.

On the whole, the outlook for the rail equipment field is not especially brilliant at this time. On the other hand, it must be noted that the class I roads have affirmed their objective of 1,850,000 railway freight cars within two years. This would offer a good foundation for operations if the steel could be found and no other interruptions to production were met.

The earnings situation in 1952 was not as favorable as in 1951 but it is not expected that profit margins will be further reduced in the next few months.

FARM EQUIPMENT — This industry has had to contend with a number of adverse factors, such as high production costs, and easing of sales. There is not much prospect that this will be improved during the next few months. Aside from operating problems, such as the inequality in steel distribution, the fundamental situation is tied up to a 20% decline in farm exports. This is bound to have an effect on farm purchasing power unless reversed in the near future and is likely to narrow the markets for farm equipment. Decline in production of ordinary farm equipment, particularly tractors, is both a cause and effect of rising competition within the industry. The high volume of defense production in this industry, however, acts as a cushion but does not entirely offset the loss of profits from ordinary production, since defense output gives low profit.

As indicated by the volume of financing in 1952, the industry found itself confronted with the necessity to raise working capital. Some of the companies went to the banks and insurance companies and others raised funds through sale of debentures and common stock.

The long-term cyclical trend favors the farm equipment industry, with increased mechanization of the farms. Decline in farm population is a basic factor in mechanization and there is no reason to believe that this trend will be reversed over the longer term.

With regard to current conditions, however, it is evident that the boom in farm equipment from 1947 to 1952 is showing some signs of receding, and this would indicate the possibility of a moderate drop in net profits during the first half of 1953. Nevertheless, the major companies have pursued a conservative dividend policy and should be able to maintain current rates despite the present narrowing of the profit margin.

OFFICE EQUIPMENT — The business machine manufacturers had a successful year in 1952, so far as sales were concerned, except for manufacturers of typewriters. Profits, however were not quite as satisfactory as in 1951, most of the concern feeling the impact of higher costs and taxes. Declines in net averaged from 10% to 25%.

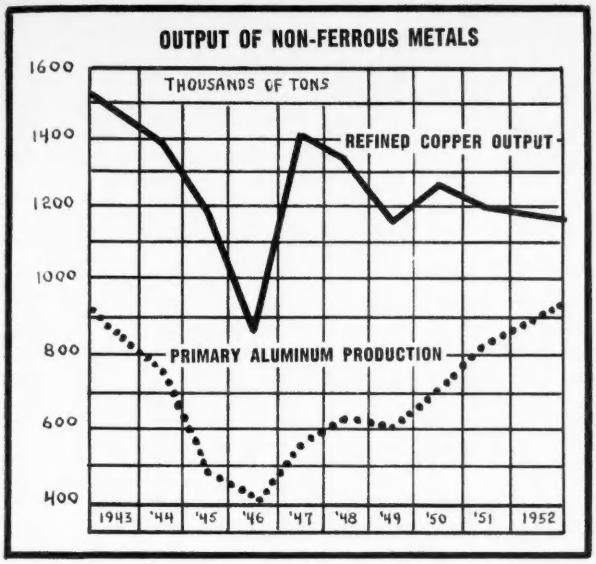
Domestic demand is at a high level owing to the greater need for all kinds of accounting equipment from various governmental bodies and institutions of various kinds. There is little doubt that the growing costs of skilled office help is having a direct effect on sales in the effice equipment field.

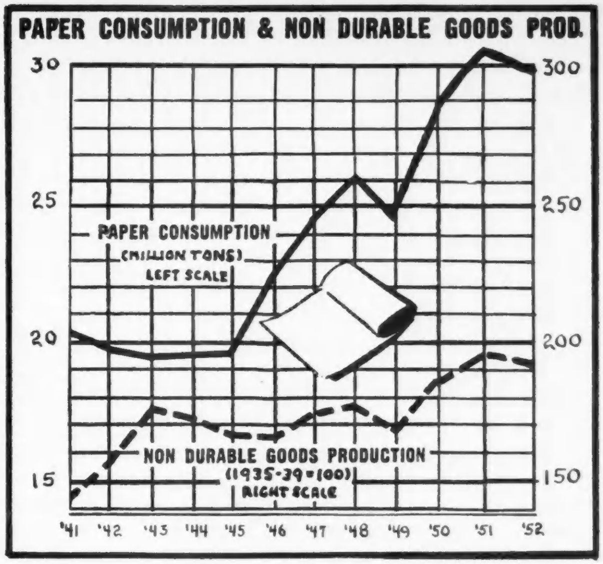
Competition in the industry is now quite keen and many of the manufacturers are devoting considerable energy and money to the development of new products and styles. Of particular importance is research in the electronics field. Some of the manufacturers realize that the potentials in this field are enormous and are making every effort to strengthen their competitive position. Development of these new electronic techniques requires the investment of large sums, with commensurate returns still some distance in the future despite the rapid progress of this branch of the industry in recent years.

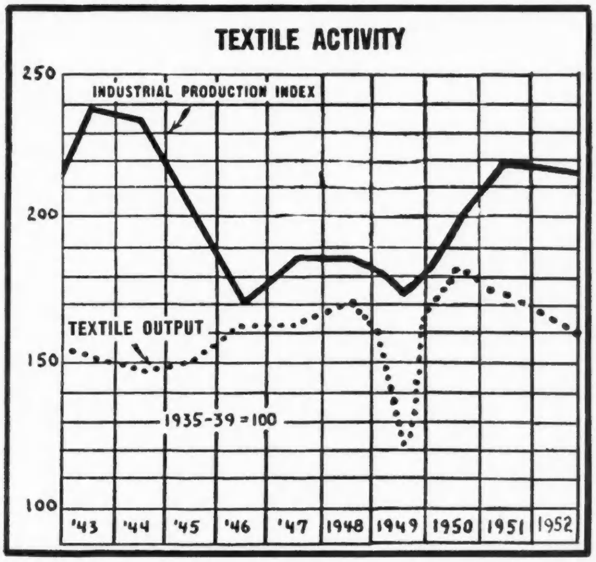
Foreign sales represent a considerable proportion of total sales, ranging 20% and over in individual cases. To meet competition from local manufacturers abroad, some of the companies have expanded their foreign plant operations and facilities.

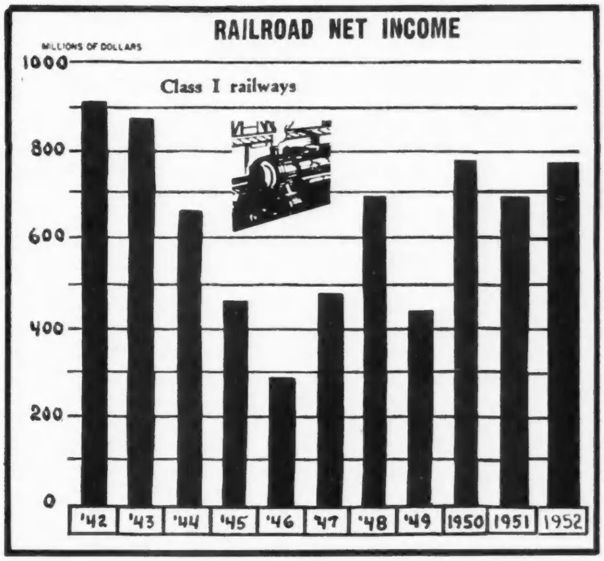
While conditions vary among the companies according to product, the outlook is for a generally active year in 1953, with armament shipments playing a part in holding the total volume of sales high. Profits, however, will be affected as they were in 1952 by high costs. Lapsing of the excess-profits tax in June would be of considerable benefit to the industry as many of the companies have been laboring under a high liability in this respect.

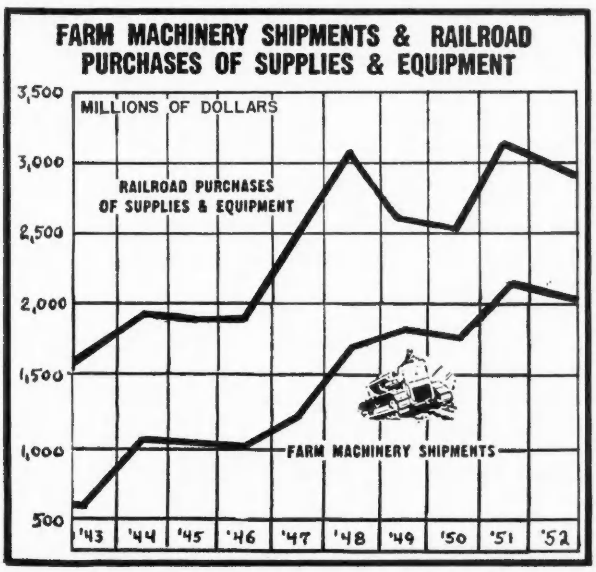
MERCHANDISING — Contrary to expectations earlier in the year, 1952 retail sales set a new peak and at $163.5 million were about 3.5% above 1951. The following highlighted merchandising conditions in the year ended: increased promotional expenses as competition became keener; installment buying registered a sharp increase; inventories were in better shape than a year ago; and, finally, the profit margin showed signs of stabilizing though at none-too-satisfactory levels, considering the volume of business done. However, profits were somewhat better as the year approached (*Please turn to page* 498)

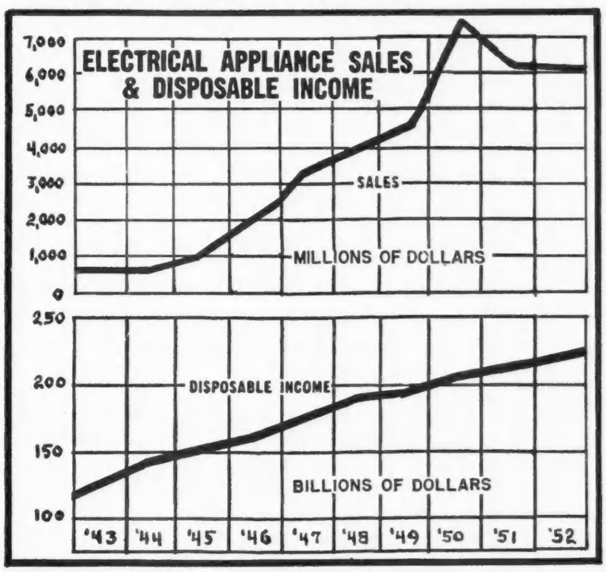

OUTPUT OF NON-FERROUS METALS
THOUSANDS OF TONS
REFINED COPPER OUTPUT
PRIMARY ALUMINUM PRODUCTION
1600
1400
1200
1000
800
600
400
1943 '44 '45 '46 '47 '48 '49 '50 '51 1952


PAPER CONSUMPTION & NON DURABLE GOODS PROD.
PAPER CONSUMPTION
(MILLION TONS)
LEFT SCALE
NON DURABLE GOODS PRODUCTION
(1935-39=100)
RIGHT SCALE
30
25
20
15
300
250
200
150
'41 '42 '43 '44 '45 '46 '47 '48 '49 '50 '51 '52


TEXTILE ACTIVITY
INDUSTRIAL PRODUCTION INDEX
TEXTILE OUTPUT
1935-39=100
250
200
150
100
'43 '44 '45 '46 '47 1948 1949 1950 1951 1952


RAILROAD NET INCOME
MILLIONS OF DOLLARS
Class I railways
1000
800
600
400
200
0
'42 '43 '44 '45 '46 '47 '48 '49 1950 1951 1952


FARM MACHINERY SHIPMENTS & RAILROAD PURCHASES OF SUPPLIES & EQUIPMENT
MILLIONS OF DOLLARS
RAILROAD PURCHASES OF SUPPLIES & EQUIPMENT
FARM MACHINERY SHIPMENTS
3,500
3,000
2,500
2,000
1,500
1,000
500
'43 '44 '45 '46 '47 '48 '49 '50 '51 '52


ELECTRICAL APPLIANCE SALES & DISPOSABLE INCOME
SALES
MILLIONS OF DOLLARS
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
DISPOSABLE INCOME
BILLIONS OF DOLLARS
250
200
150
100
'43 '44 '45 '46 '47 '48 '49 '50 '51 '52

—GETTING THE SIGNALS MIXED

By "VERITAS"

SELF APPOINTED spokesmen of the Eisenhower Administration will keep the President in hot water, create the impression that the White House is pursuing a wishy-washy, if not outrightly inconsistent, course if they don't retreat soon to their bailiwicks and permit the Chief Executive to do his own speaking, when, as, and if he sees fit. Ike cannot possibly have as many differing positions on important questions as his guests impute to him. As a matter of fact he has been scrupulously careful to avoid going on record, mindful not to tread where others rush in.

WASHINGTON SEES:

Larger considerations than the viewpoint of competing companies entered into the proposal of the National Security Council that the international oil suit be droped, and into the warnings by the State and Defense Departments that nothing could be gained, much lost, if the proceedings were not mothballed. International strategy and domestic practice had clashed. The law, in the person of Judge James R. Kirkland stepped in and, for the time being at least, the litigation goes on with the same rigid adherence to judicature as if a traffic case were being weighed.

From the beginning there has been serious doubt in informed circles whether the five American and two foreign oil companies were being charged with criminal infraction of the antitrust law, or whether the suit was designed to protect national security. When the companies were given the chance to sidestep criminal action at the expense of supplying information on which they could be brought into the civil courts they chose not to testify against themselves by complying. (The Constitution of the United States has something to say in support of that right.)

The objective, of course, was to continue the flow of oil checked by Iran's position in the matter. That involved some price and distribution agreements. These were not inherently bad in view of the security considerations. But there are such practical problems to be faced as: Will a foreign defendant pay any attention to subpenas? Will such a defendant proceed, anyway, to the injury of the American industry which the National Security Council seeks to protect?

BECAUSE Rep. Jesse P. Wolcott of Michigan, provides some of the better conservative thinking that goes into the appointed rounds of congress, and because he has become chairman of the important banking and currency committee in the political turnover, his recent comments provide an object lesson. While the President hasn't declared himself on the point, Wolcott didn't hesitate to announce to a small gathering of realtors that Eisenhower wants the home building trade to lay out a program for 1 million new, privately built homes for this year. The builders gasped.

SOCIALIZED housing, like socialized medicine, will not be tolerated by the new regime, said this responsible member of the house as he expanded into subjects that haven't even been taken up by the new congress. But that wasn't all: the President, Wolcott said, favors the removal of direct economic controls such as those which affect price, wages and rent. (On the latter score, at least, he could be right. Today there are so few rents under ceilings, that it is fiction to consider that the proportion of the controlled to the de-controlled is more than a miniscule fraction. De-control is virtually a fact now.)

TERMINAL points in the Wolcott takeover still was not in sight. Riding a prophetic spur track in an area heretofore reserved by congressional and Presidential order to materials controls agencies, the congressman assured that the ingredients of home building will be available, without suggestion of limit. And if anything further might be needed—and the solon seemed to think it might—he delved deeper: Eisenhower was put on record as favoring an incentive tax structure which would aid the realtors and business by cutting present levies and balancing the budget. Details presumably later.

As We Go To Press

General Services Administration is making another effort to convince business and industry that it isn't necessary to have a "10 per center" intervene to get government contracts. This time the approach is by way of issuing uniform standards for determining the propriety of relationships between sales agents and their clients. Emphasis is on the fact that all federal contracts contain covenants against contingent fees. Idea is not to wipe out the middleman (legality of the use of agents is conceded) but to keep the practice within what the government considers to be proper bounds. The rules lay a heavy hand on the practice of procurement officers procuring in their own behalf in cahoots with influence peddlers.

Farm cooperatives don't receive much publicity but it is clear that they must play an important part in the economy. How clear, the Farm Credit Administration sought to find in a survey. It disclosed that the number of cooperatives declined in the 1950-1951 fiscal year, but total membership grew to a record high of 7.1 million members. The combined marketing and purchasing advantages attracted half a million new members in the single year period. And, examination of the data brings out, the drop in number of organizations accountable in large degree to mergers. The farmers found they were paying too much double overhead.

Gross volume of business during the 1950-1951 season amounted to net 8.1 billion dollars. This does not include wholesale business of farm supply cooperatives or terminal market sales performed for local associations. The federal agency estimated that farmers marketed about 6.4 billion dollars worth of products through their cooperatives. The Farm Credit Administration did not survey with an idea to additional controls or a new look at the cooperative tax situation, but both subjects are hot on Capitol Hill and it will be surprising if the detailed report does not come in for approving examination in certain quarters.

It is doubtful that the new congress will accept the recommendation by Commerce Secretary Sawyer that the reciprocal trade agreement system be given a blanket five-year extension. This is only one phase of the report which followed the Sawyer inquiry into how best to improve two-way foreign trade; necessarily it is closely tied in with economic and military assistance to other nations. Reciprocal trade agreements, initiated by Cordell Hull, have furnished fighting grounds since their inception, provide more basis now than ever due to the diplomatic implications and the insistence by foreign powers that they want trade, not handouts.

In addition to the trade treaty extension, Mr. Sawyer also would like to have the customs simplification bill speeded to the statute books. The house passed it last year, but the senate didn't reach the bill before adjournment. That means both branches must go through the entire rigamarole again. And some business interests, notably retailers, are cool, to say the least, toward it. The Secretary also has urged repeal of the Mutual Security Act which requires investigation of trade in foreign countries receiving aid from the United States. Idea there is to check up on monopolistic tendencies. There will be contest to over the Sawyer recommendation that foreign aid be placed under the jurisdiction of the State Department or the Defense Department. That would mean abolition of the Mutual Security Administration. Harold Stassen and his friends wouldn't like like that. The youthful, but seemingly perennial, Presidential aspirant would be jobless almost before he went to work in the Eisenhower Administration.

Cotton isn't king any longer. Exports of the United States production are reliably reported to face a decline of 1.5 million bales. That would make the 1952-1953 fiscal year sales abroad drop to 4 million bales. The expected plummet is the result of increased supplies and somewhat lower demands in non-

Communist countries. Exports during the August-October period (first three months of the current season) were off sharply from the corresponding months of one year ago. Consumption was slightly higher, but was offset by an unusually large carryover -- estimated at 600,000 bales as of last August 1.

Real Estate Note No. 1: Total postwar production of prefabricated homes has passed the 300,000-unit mark with a record 1952 output of 57,000 units. Prefabrication has accounted for 4.3 per cent of the total post war production of more than 7 million units. Its 1952 production represents about 7 per cent of the year's total of new single family homes, and a gain of about 15 per cent over the 1951 output.

Real Estate Note No. 2: The Duke of Montrose recently offered the family castle, containing 40 bedrooms and 16 bathrooms, among other appointments, for rent at $28 a week. He made the offer after an ununsuccessful attempt to sell the castle, which is in Scotland, for $70,000. The only requirement: the renter must keep the castle in top condition.

As President Eisenhower puts his team on the field it becomes clear that in military matters he'll be the boss over the uniformed forces and leave the all-important function of production to his appointees. That's a decision he arrived at, undoubtedly, from his own experience in seeing what Ernie Pyle succinctly described as "too little and too late." For the first time in many years it will be possible to run down the higher echelon of Defense Department officials and find no active or reserve military titles.

Businessmen who have been accustomed to dealing with part-time production personages (Army Industrial College) will find conditions changed. They'll be talking with men who know the problems because they have been through them. The military air may be missing to a degree but when one talks production with Charles E. Wilson, new Secretary of Defense, former head of General Motors, he won't have to explain what a jig or a die is.

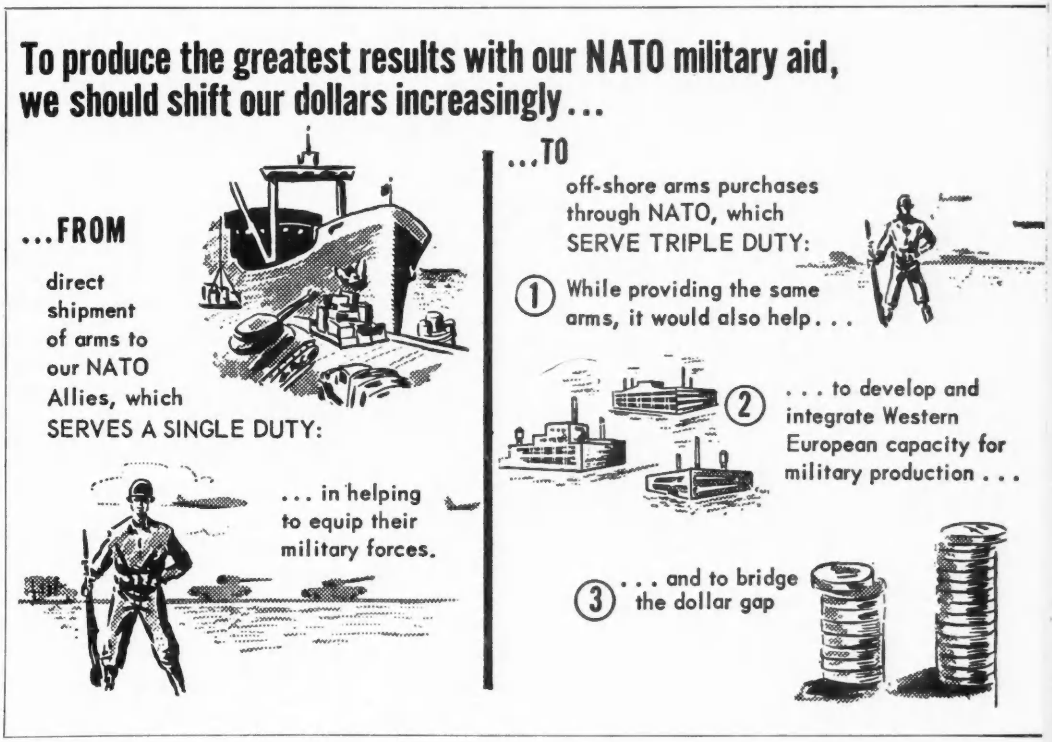
If price and wage controls survive the attacks of the early days of the new congress it is a completely safe bet that they won't be extended past their automatic April 30 expiration date. They probably won't last even that long. Decontrols are moving along at so rapid a pace that little remains and it is almost a fiction to consider that controls are effective. Thinking among the solons isn't uniform--the only delaying factor. They'll want to "talk it out." But the debate won't be prolonged, in the opinion of many congressional committee members. Senator John Bricker of Ohio, for example, thinks repeal of all provisions should be made the first order of business. (Bricker recently defeated Michael V. Di Salle in a U. S. Senatorial contest and some of the rancor carries over to color the senator's viewpoint toward the system which his erstwhile opponent administered.)

There are two schools of thought among members of congress that should be seriously considered. First, there are those who believe that congress would repeal the price-wage sections of the Defense Production Act before the ardor for reform wears off the new GOP-controlled congress. The second school would go half way and enact stand-by legislation . In the latter situation, either the President or Congress could reinstitute controls on short order in the event of a new emergency. Business interests don't like that idea because there is lack of definiteness. Who knows when an emergency might arise, or be created? Past history serves as a warning; the term "emergency" has taken on new meaning.

The Social Security Board has instituted an inquiry into the background of labor relations between many of the claimants for retirement pay and their employers. Already, it has been developed that parents have suddenly gone on the "payrolls" of the husbands of their daughters. Under the 1951 amendments to the Act, domestic help who had been employed for 18 months and on whose salaries the regular tax payments were made became eligible for pensions last July. SSB is looking into each case. Being investigated is whether the mother-in-law was claimed as a dependent before she became an employee. For a two-figure total tax payment it might be possible to draw thousands of dollars.

Can NATO Be Salvaged?

By V. L. HOROTH



NATO is in the midst of a crisis. This crisis is serious enough to threaten NATO's not inconsiderable accomplishments and even to force a change in European defense strategy unless a way out is found.

A month ago in Paris, the attending ministers slashed the NATO military construction program for 1953 in half. A further relaxation of their defense effort is threatened by our Continental allies unless more U.S. aid is forthcoming. At the same time our leadership is being criticized. Worst of all, France and Germany chose to revolt openly—largely for internal political reasons—against the formation of a unified European force, the "Esperanto" army, as it is known on the Continent—which is the heart of the NATO defense system. To quote the New York Times, the collapse of a unified defense system would bring on the "balkanization" of the European defense effort in the face of the Russian military build-up.

As one diplomatic wit recently put it, what is needed is "not only a new look at NATO, but also a new look for NATO" if the billions of American taxpayers' money already spent on Europe's defense are not to be utterly wasted. To elaborate, what is needed is (1) a complete reexamination of the NATO program in the light of the worldwide and overall struggle of the free world with international communism—a struggle which is worldwide and, it must be remembered, waged not only in military but also in economic, diplomatic and psychological fields. (2) A revision of the NATO aims and program may be essential since this global struggle with communism may last for several generations.

One thing is certain: the incoming Administration will be faced with the extremely difficult task of getting the Europeans to continue work on their integration and defense. No one, indeed, is more competent to pull NATO out of the present morass of nationalism and mistrust than President Eisenhower. The American people are fortunate to have in their new President a man who is well acquainted with the problems involved in the creation of a common European army, and who, moreover, knows to what extent it is safe to allow some "slowdown" in the European defense effort in the face of the Russian danger.

NATO and Its Accomplishments

To keep the Russians from over-running Western Europe—particularly the all-important German industrial area along the Rhine—the SHAPE strategists called on the NATO nations to put in the field some 100 to 110 divisions, along with appropriate numbers of tanks and planes. This force, together with some 30 Greek and Turkish divisions and about 30 Yugoslav divisions, was to slow the 175 Russian and some 60 satellite divisions until the Allies could mobilize more fully.

In getting ready their defense force, the NATO nations have up to now more or less kept to the schedule adopted at the Lisbon conference in the Fall of 1951. This program called for the formation of 25 combat divisions—roughly equivalent to the force that the Russians keep in Eastern Germany—and 25 reserve divisions (readily mobilizable), along with some 4,000 planes, by the end of 1952. That

was the critical year. It was considered that thereafter the chances of the Russians attacking would be less and less.

The combat divisions now ready, are superior in their equipment to the Russian units across the line in Eastern Germany—thanks to the presence of 5 American and 4 British division on the Continent. The reserve divisions, which are much like our national guard, are also in existence, though at varying stages of combat readiness depending upon their training and re-equipment with modern American weapons. Except for the British and French divisions, these reserve forces consist largely of Italian, Dutch, and Belgian troops.

In 1953, this European force was to be enlarged by another 25 divisions and some 2,000 additional planes. Half of the increase was to come through the incorporation of some 12 German divisions. To make the German participation possible, two sets of treaties were worked out and signed last May by the respective authorities of the NATO nations: (1) The German Peace Pact—known also as the Bonn Convention—which gave Germany full sovereignty—and (2) the European Defense Community (E.D.C.)—the treaty that laid the foundation for the establishment of a supra-national defense organization on the Continent, in a manner acceptable to the other West Europeans. While the United States won the argument on the size of the German force that was to be organized, the French won the point limiting the independence of these new German forces. For example, very few of the tank divisions were to be under the higher command of German officers.

Obstacles to Ratification

But the ratification of the treaties bogged down. The reasons have differed from country to country. In the first place, practically everywhere in Europe, nationalist feelings have been getting stronger. Second, there is a fairly prevalent feeling that the military emergency is over and that the Russians will not attack. The Russians themselves have made no demands on Western Europe and are extremely careful not to arouse any suspicion that an attack may be planned. Third, with export difficulties increasing and some unemployment, there is a feeling that social welfare should take precedence in budgets over military requirements.

In addition there are specific national reasons why Western Europe is not hurrying with the ratification of the German and the E.D.C. treaties. In *Germany* the socialists are opposing ratification in the belief that the two Germanies can be re-united only if Western Germany is *not tied too closely* to the West. Although the Russian terms for Germany's unification are known and are unacceptable to most Germans, the socialists still believe that they could handle the Russians better than anyone else and that consequently the unification of Germany can be negotiated.

The French, who prefer to see Germany divided, distrust any German rearmament. The de Gaullists apparently have a greater fear of a strong Germany in the future than of a Russia strong now. The fact that the war in Indo-China has been growing in intensity and that more French forces may be needed in North Africa trouble spots has influenced the French. As it is, even 12 German divisions in the future European army would be a larger force than France could contribute in view of her commitments elsewhere.

The Italians have been in no hurry to ratify in view of the unsettled Trieste dispute with the Yugoslavs. As it is, it would be almost imposible to get the Italians and Yugoslavs to work out the defense of the "Ljubljana (Laibach) Gap"—the break between the Alps and the Adriatic through which invaders in the past penetrated the North Italian plain.

The Belgians and the Netherlanders are dissatisfied with the size of the forces they are to contribute, while *the Danes,* who are the nation in Northern Europe most exposed to a Russian or satellite attack, are none too happy about the use of Danish airfields by other NATO nations. *The Norwegians,* like the Danes and the Dutch, would prefer German rather than French leadership on the Continent.

Meanwhile, nothing much has been happening in *Spain,* which is strategically important, but otherwise a political and economic liability. As to the communist *Yugoslavs,* who actually have at their disposal a larger military force on the Continent than any other European nation (the French army of more than 1,000,000 is scattered all over the world), they too are in the midst of economic and reorganizational difficulties. The most hopeful situation is in *Turkey* where some 21 divisions of tough, hardy peasant soldiers are being equipped with modern weapons—backed by the U.S. Sixth Fleet.

Demand for E.D.C. Amendment

With the ratification of the E.D.C. by various West European parliaments still in the far off future, the NATO Council in Paris could not but abandon the goal of expansion of European forces to 75 divisions and 6,500 aircraft by the end of 1953. At best, the 60 divisions which are now commanded by General Ridgway will be strengthened and perfected as to their organization.

Meanwhile, however, the recent political crisis in France, which has already forced the new premier M. Rene Mayer to make concesions to the nationalistic de Gaullists in return for their support, threatens the whole E.D.C. pact with more complications. Under de Gaullist's instigations, M. Mayer wants (1) more American aid, particularly for the war in Indo-China, (2) a greater voice for France in planning the European defense policy, and, the most important of all, (3) final say-so in the disposition of French troops, over the head of the NATO supreme commander of the all-European army, in order to meet France's commitments in overseas possessions.

Not to be outdone, the Germans, at almost the same time, came out for pact revision, apparently for bargaining purposes. Chancellor Odenauer, who staunchly urged the speedy ratification of the pacts in the past, has now changed his tune and wants a conference at which discussion of the whole European Defense Community would be re-opened.

What it will all amount to is this: even if the European Defense Community pact is eventually ratified, it is doubtful that there will be established a supra-national defense organ that would take over national defense administration of individual countries. Instead of being "supra-national", the all-European army, if and when it is organized, is likely

to be only a confederation of "autonomous" armies under one command. This would mean a shattering of another American dream. "To create a European army might well take a generation", is the comment of the London Economist which should know the ways of the Old Continent.

What Next?

In view of the situation, one of the first acts of President-elect Eisenhower is likely to be the salvaging of as much as possible of the old NATO plan. Considering his tact and the confidence in him of both French and Germans, there is a good chance that NATO will be patched up and made a going concern again, but not without (1) some concessions as to the future re-armament tempo, and (2) considerable additional American help to France, particularly in the war in Indo-China.

No great damage to the NATO program as a whole may be done by the downward revision of the goals and by the slowing down of the defense effort. It is claimed that the original goals were too high, largely because the first post-Korean intelligence estimates of the Soviet and satellite strength were exaggerated. Furthermore, new weapons, such as tactical atomic bombs, used by the artillery, have somewhat changed the requirements as to both personnel and aircraft. However, there has been a tendency on the part of the Europeans to take too much for granted in the way of American "Wonder" weapons and preparedness.

But what will happen if the Mayer government should prove too tough for the United States to deal with? What if the Mayer regime, which by many people is considered to be only a "caretaker" government, should be followed by a nationalist, de Gaullist, regime? If it is true that de Gaulle is not opposed to separate French-Russian negotiations—the whole NATO defense strategy would then collapse.

Estimated Government and Defense Expenditures of the NATO Nations — 1952-53 Fiscal Year

(in billions of dollars)

	Gross National Product	Defense Expenditures	Defense Expenditures as of G.N.P.	Population (000,000) End of 1951	Per Capita National Product (in dollars)	Per Capita Defense Expenditures (in dollars)
United States	$350.00	$62.30	$17.8	156.0	$2,135	$292
Canada	20.56[1]	1.62[1]	7.6[1]	14.1	1,452	115[1]
United Kingdom	44.17	4.75	10.8	50.9	864	93
France	36.26	3.89	10.7	42.4[2]	832	89
Italy	17.74	1.08	6.1	47.0	374	23
Belgium-Luxembourg	7.96	.71	9.0	9.0	884	79
Netherlands	6.17	.47	7.7	10.3	593	46
Turkey	3.85	.29	7.6	21.5	176	13
Greece	2.19	.19	8.6	7.7	282	24
Denmark	3.88	.15	3.9	4.3	893	35
Norway	3.01	.15	5.0	3.3	902	45
Portugal	2.56	.07	2.6	8.6	297	8
Germany	31.40	2.68	8.5	48.3	646	55
Countries other than U.S.	179.75	16.05	8.9	267.4	672	60

[1]—1951-52 fiscal year. [2]—excluding the Saar.

Source: Report prepared for the House Committee on Foreign Affairs (The Mutual Security Program for 1953)

Arguments For and Against German Rearming

If the old NATO plan collapses, President-elect Eisenhower will have two courses from which to choose:

(1) He can leave Germany disarmed, and build European defense around the present 50 division nucleus, with the French army as the center. This solution probably would never result in bringing up the European forces to the desired 100 division level. Moreover, it would be, as was pointed out before, not a supra-national army as visualized by present plans, but an army of the West European confederation, trying to act as one army.

This solution would probably require the West European "confederate" army to retire either behind the Rhine defense or to the Pyrenees in case of a Russian surprise attack. In other words, Germany would be "expendable". The Germans, of course, could scarcely fail to grasp what such a solution would mean for them. Consequently they would be lost to the West, and would probably seek strength in unification with Eastern Germany and in isolating themselves from both East and West.

(2) A second way for President Eisenhower would be to rearm Germany, and to make it the cornerstone of the future European defense. But such a solution would require the building of the German army far beyond the proposed 12 divisions. In fact, the German army would have to be strong enough to take the initiative and sweep eastward fast enough to forestall the Russians from occupying Central Germany.

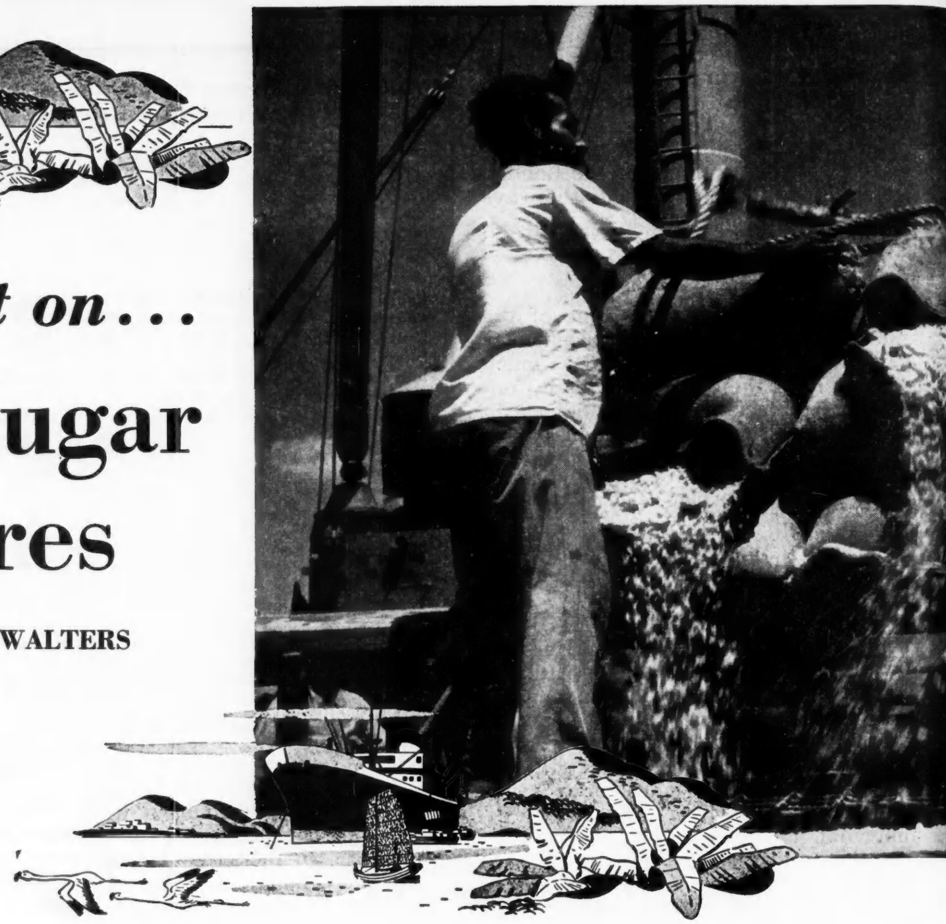
The creating of a German army powerful enough to take the initiative would, of course, estrange the French. It would also estrange the Poles and the Czechs, to whom choosing between the Germans and the Russians is like choosing between the frying pan and the fire. At any rate, the creation of a large German army, although a bold and aggressive step, would counterbalance any effort of the new Secretary of State, Mr. John Foster Dulles, to promote resistance movements in the Iron Curtain countries.

No Need of Throwing Up The Sponge

Although the NATO and the European Army project have reached a critical stage, there is no sense of throwing up the sponge. There is President Eisenhower's special ability to handle situations just like these—and neither the French nor the Germans have refused to negotiate. Some changes in the NATO program and the European army project are probably inevitable. The American public must remember that the current difficulties in Europe do not indicate any lessening of the will of the Western European countries to resist communist aggression. Rather they represent a different attitude on the East-West struggle and a reassessment of the direction into which the efforts of the Free World should be channeled. The fact is that Russia has been stopped on the Continent of Europe, and the credit for this must go to NATO. It is for this reason that NATO is so vital to the West and why its future is of such concern.

...Blight on...

The Sugar Shares



By FRANK L. WALTERS

Troubles of the sugar industry which became quite apparent in 1952 are likely to continue well into 1953. Essentially, the problem is one of over-production, at the same time that costs remain rigidly high. Further complicating the situation is that the governments of some of the producing countries are moved by political considerations in handling their sugar problems which has the effect of favoring the workers over the producers. With the latter caught in a squeeze of lower world sugar prices without the ability of adjusting costs, especially wages, to the new situation, it is obvious that their profit margins have become impaired. Based on the sugar marketing quota announced by the Department of Agriculture last December, it is possible that some firming up of prices may be seen later on in the year but for the meantime, there is little indication of improvement over the near future.

Approximately similar conditions with regard to heavy over-stocks of raw sugar prevail in the principal producing areas. Thus, last year Cuba's sugar production amounted to an all-time high of more than 7.9 million short tons. The sugar growers of Hawaii had a record year, too. As the 1952 grinding season drew to a close producers there had harvested just about one million short tons, or approximately 50,000 tons more than in the previous season. Puerto Rico closed its grinding season with the largest production in history – 1,359,840 short tons. The sugar industry on the Island is endeavoring to come upon a practical method to reduce and, preferably, eliminate sugar surpluses, currently amounting to about 280,000 tons, without affecting the general economy of the country.

Other countries also are forging ahead as sugar producers. India, for instance, generally recognized as the place of origin of sugar cane, in the last two decades has changed from an importer to an exporter of sugar. The area given over to sugar cane has increased from two to four million acres. The country now ranks as one of the greatest sugar cane growers in the world. At present, the yield per acre is comparatively low, but efforts now being made to increase yield and efficiency, if productive of favorable results, could have a marked effect on the world sugar market. Brazil and Mexico are expanding as producers, and increased production of sugar is an important development in China's agricultural progress in the last two years. As modernization of its sugar manufacturing facilities is accomplished, it is but a matter of time until the country becomes self-sufficient in sugar.

In the face of expanding output in almost all sugar cane and sugar beet growing areas of the world, sugar consumption in many countries is being held down by disturbed political and economic conditions. Scarcity of dollars makes it difficult for many countries to purchase sugar in amounts sufficient to meet their requirements. For this reason, sugar growers in some of these countries are being encouraged by their governments to increase output. This is particularly true in the British Commonwealth. Every effort is being made to increase production so as to make these countries less dependent on "dollar" areas.

The entire sugar situation can be summed up in one word – overproduction, which is the antonym for under-distribution. In some countries, sugar is

beyond the reach of the people because of high internal taxes and government control of the buying and selling of sugar, resulting in exorbitantly high prices. Per capita consumption in some instances is under 16 pounds a year. This is in contrast to per capita consumption of 100 pounds of raw sugar in both the United States and Canada, and 129.8 pounds in Australia. The rate in other countries varies, but in the final analysis, less than 10% of all the people of the world get as much sugar as that consumed per capita in the United States.

Facts About Over-production

Granting, in the light of these facts, that there is an under-consumption of sugar throughout the world does not, on the same basis, eliminate the fact that there is currently over-production. The situation is not improving. According to data released by the U. S. Office of Foreign Agriculture Relations, world sugar production, both centrifugal and non-centrifugal, in the 1951-52 season reached the record-breaking figure of approximately 44.4 million short tons, raw value. This is an increase of more than 1.6 million tons, or 3.6% over the previous 1950-51 record year, and a gain of 10.5 million tons, or 31% over the prewar (1925-39) average of 33.9 million tons.

It is not surprising, therefore, that Cuba with its record 1952 crop found itself with a surplus of sugar, forcing the withdrawal from the market of 1,750,000 long tons under a plan to sell this tonnage over a five-year period. Nor is it any more to be wondered that Puerto Rico should now be struggling with a sugar surplus, considering that under prevailing production and consumption conditions, sugar stocks are piling up to a burdensome level.

In an effort to correct these conditions, Cuba, by Presidential degree, is restricting this year's crop to 5,680,000 short tons. This amounts to a cut of 2,285,000 short tons when compared with 1952 output, and represents about 360,000 tons more than the tonnage Cuba placed under its five-year selling plan. On a basis of simple arithmetic, restricting 1953 production looks like a sensible move provided there was any assurance that there was a market for this output as well as the 350,000 tons of the sugar surplus apportioned for sale in the current year. Puerto Rico, too, is cutting its acreage, this year.

Unfortunately, problems of overproduction or underdistribution – both meaning the same thing – are not solved by curtailing output in one area which encourages other areas to continue with their expansion programs. Indications of this are seen in a number of sugar growing countries. Current conditions point to higher output in the Dominican Republic, Haiti, Mexico, Formosa, Indonesia, Argentina, Brazil, Colombia and Venezuela, to mention just a few spots. About all Cuba and Puerto Rico can accomplish by restricting this year's output is to lessen the headache because of a smaller surplus than last year.

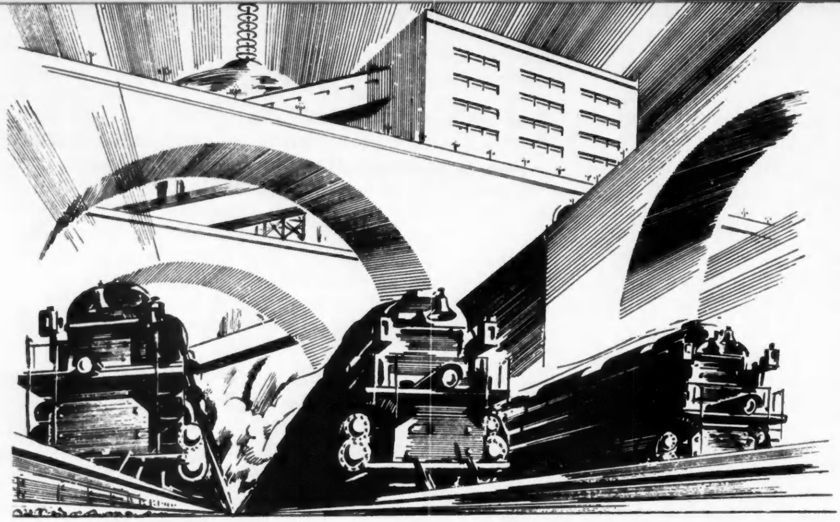
The U. S. Quota

Sugar quotas for 1953 have been fixed by the Department of Agriculture at a total of 7.8 million tons. This apportioned as follows: Hawaii, 1,052,000 tons; Puerto Rico, 1,080,000; Philippines, 974,000, and Cuba 2,286,720 tons. This total is set at about 400,000 tons under actual estimated needs, in keeping with Department's policy to make a "negative allowance" for the purpose of forcing prices higher by holding to a minimum the amount of sugar coming into the country. Last year the quotas were fixed at a total of 7.7 million tons, but it was necessary to make two upward revi- *(Please turn to page 486)*

Statistical Summary of Sugar Companies

	Fiscal Years ended	Net Sales 1952* (Millions)	Net Sales 1951* (Millions)	Net Profit Margins 1952*	Net Profit Margins 1951*	Net Per Share 1952	Net Per Share 1951	Indicated Current Dividend	Div. Yield	Recent Price	Price Range 1951-1952
CUBAN, DOMINICAN PRODUCERS											
Central Violeta Sugar	9/30	$11.4	$ 8.9	7.0%	4.5%	$ 2.83	$ 1.41	$ 2.00	13.1%	15¼	27 -15¼
Cuban Amer. Sugar	9/30	75.1	66.3	4.4	5.0	3.70	3.66	1.75	10.8	16⅛	24¾-12⅜
Cuban Atlantic Sugar	9/30	94.7	94.3	4.3	7.6	2.07	3.60	1.50	12.4	12⅛	20 -11¾
Francisco Sugar	6/30	18.2	15.3	4.0	7.8	2.10	3.43	1.25	10.0	12½	24⅝-12
Guantanamo Sugar	9/30	5.4	6.8	(d) 1.6	12.9	(d) .21	2.15	.75	10.2	7⅜	14¼- 7
Manati Sugar	6/30	16.0	16.4	3.7	8.5	1.37	3.17	.60	8.4	7⅛	14⅝- 7⅛
Vertientes-Camaguey	9/30	28.0	26.7	7.2	12.1	1.41	3.35	.75	7.4	10⅛	23½-10
West Indies Sugar	9/30	46.3	55.2	12.1	22.1[1]	5.44	11.86[1]	3.00	10.1	29½	41¾-28
PUERTO RICAN PRODUCERS											
Central Aguirre Sugar	7/31	16.0	16.4	12.1	15.1	2.60	3.35	1.60	8.2	19⅝	20⅞-18⅝
Fajado Sugar	7/31	17.7	12.5	5.8	6.0	2.89	2.65	2.50	11.9	21	26⅛-20½
South Puerto Rico Sugar	9/30	37.0	39.5	16.8	21.7	7.83	10.98	4.00	7.7	52	73 -50½
BEET SUGAR PRODUCERS											
Amer. Crystal Sugar	3/31	41.1	38.1	4.6	5.0	4.55	4.52	2.65	12.2	21⅝	28¾-20⅝
Great Western Sugar	2/29	67.9	70.1	6.3	7.6	1.81	2.39	1.45	8.3	17¼	22⅜-16⅞
Holly Sugar	3/31	45.7	47.9	3.0	4.4	2.14	3.70	1.00	6.0	17	20½-16
REFINERS											
American Sugar Ref.	12/31	n.a.	282.5	n.a.	2.6	n.a.	9.74	3.00	5.7	52¼	73¾-50½
National Sugar Ref.	12/31	n.a.	140.0	n.a.	1.3	n.a.	3.36	2.50	8.2	30⅜	32¼-25½

(d)—Deficit.
*—1951-1952, 1950-1951 fiscal years respectively.
[1]—Includes $1.8 million profit on sale of investment.
n.a.—Not available.



3 Eastern Roads Compared

—Pennsylvania—N. Y. Central—Baltimore & Ohio

By ROGER CARLESON

Several factors are contributing to the improving market for eastern railroad equities and the growing interest especially in such rail stocks as Baltimore & Ohio, New York Central and Pennsylvania. While the 1952 Presidential election results holds promise of a more favorable political climate for the carriers, of still greater weight is the increasing evidence that the major eastern trunk lines are making impressive progress in expanding net earnings.

Although 1952 results of each of the three roads will show sizeable gains over the previous year, the more satisfactory operating results do not fully reflect this progress. The steel strike and its wide-spread effect on other industries cut into operating revenues. In addition, B. & O., suffered from two work stoppages in coal mines in its territory, and Central experienced the adverse effects of a strike of its own. Moreover, the most recent of freight rate increases did not become effective until early May, thus limiting the advantages of higher rates to the latter two-thirds of the year, part of which was disturbed by the steel workers walkout.

Barring anything like a repetition of these conditions this year, all three roads should show continued gains in net earnings. Results for 1953 should reflect the cumulative benefits of major capital expenditures in the post-war years for dieselization of motive power, new and improved rolling stock, road improvements, mechanization and improvements to yards and other facilities.

Strengthening the encouraging outlook as to higher earnings growing out of increased efficiency is the hope that legislation this year will permit a more equitable freight revenue on traffic interchanged with the south and southwest. Agitation by the eastern road for such a change has been under way for several years. When and if an adjustment in these rates is made, benefits of substantial proportions would accrue to the eastern carriers.

Admittedly, favorable action along these lines would provide an added fillip to the market for these equities. Their speculative appeal, however, has its origin in the improved operating efficiency of the roads, the encouraging earnings gains in 1952, and the brighter 1953 outlook.

Data on Three Eastern Roads

		Baltimore & Ohio	New York Central	Pennsylvania
Total Gross Amount of Capital invested in new properties and equipment, 1946-51 (millions)		$194.5	$408.3	$476.1
ANNUAL FIXED CHARGES (Millions)	1946	$ 26.7[1]	$ 40.9	$ 71.2
	1951	26.0[1]	46.2	60.5
OPERATING RATIO	1946	90.2%	90.5%	90.7%
	1951	81.1	85.8	85.5
		[2]		[3]
EARNED NET PER SHARE	1946	(d) $ .87	(d) $1.62	(d) $ .65
	1947	(d) .19	.36	.55
	1948	2.12	2.28	2.61
	1949	(d) .59	1.51	.95
	1950	.81	2.84	2.92
	1951	1.40	2.28	2.03
(Estimated)	1952	2.75	3.25	2.50
ANNUAL DIVIDENDS PER SHARE PAID	1946	......	$ 1.00	$ 1.50
	1947	......	......	.50
	1948	......	......	1.00
	1949	......	.50	.75
	1950	......	1.00	1.00
	1951	......	......	1.00
	1952	$ .75	.50	1.00

1—Includes contingent interest charges.
2—After all funds under modification plan.
3—After funds.

Baltimore & Ohio Railroad

Based on official estimate of 1952 net income of $27 million, net for the common stock, after funds, will run to approximately $2.75 a share. Such a showing will be close to doubling 1951 results of $1.40 a share, after funds, and indicates the strides the road has made in cutting operating expenses through dieselizing and other physical improvements. For the first time since 1931, common stockholders were the recipients of a 75 cent dividend which, although construed as merely a token payment, reflects management's confidence (*Please turn to page* 496)

Five Attractive Stocks for Capital Gains

By OUR STAFF

Notwithstanding that stock market price indexes show the averages to be currently at an all-time high, medium-term opportunities are still available in some of the lesser known, but yet sound, common stocks.

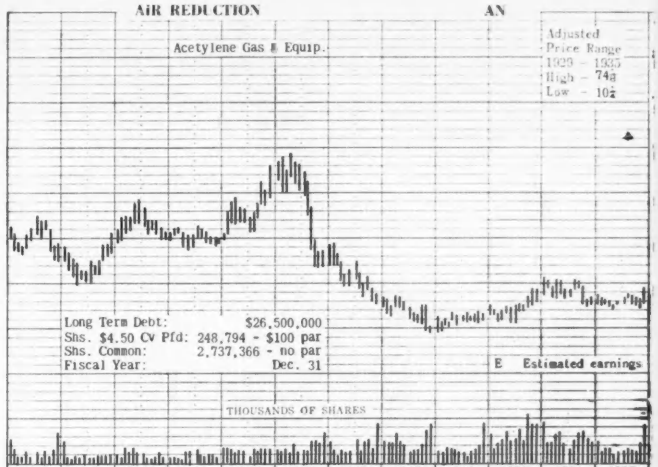
Among such issues, these are: Container Corporation of America, York Corporation, Air Reduction Company, Warren Petroleum Company, and Pittsburgh Coke & Chemical Company. They have been selected after careful analysis, giving weight to currently increasing earnings, their 1953 growth potentials, and their near-term market outlook.

On this and adjoining pages are presented brief descriptions of the business of each of these companies, highlights on their current positions, operations and outlook, dividend records, and their market price range over the last two years. Along with this information are comparative balance sheet items depicting the financial growth of the companies over a span of from 8 to 10 years.

The five companies selected are in an era of expansion, increased production of established products and, in some instances, moving ahead into new, but related fields. All of them have from fair to good earnings records over a number of years, are in good financial positions, and all are dividend payers, Air Reduction leading the group with a record of 36 years of uninterrupted dividend distributions.

In our opinion, these issues are "behind the market" because of the obscurity into which they fell during the 1952 market when investors' preference ran to higher priced investment equities, the latter more or less commanding the center of the stage. Signs of a change in this attitude, however, are beginning to be seen. Market prices for meritorious issues of the second rank, such as those described here, are firming, a movement in which the issues making up our selection could well be conspicuous.

All earnings figures in this feature are from 2nd and 3rd quarter 1952 reports. All other figures are given as latest available.



1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
2.62	2.37	2.41	2.15	3.04	1.66	2.08	2.36	2.26	3.15	2.69	E 2.45
2.00	2.00	2.00	2.00	2.00	1.75	1.00	1.00	1.00	1.00	1.40	4.50
11.4	17.8	18.0	34.2	36.7	31.8	30.1	30.2	32.6	36.5	56.9	Wkg Cap $

AIR REDUCTION COMPANY

BUSINESS: Wide diversification of products include oxygen and acetylene, and apparatus and accessories for metal cutting and welding processes; hydrogen, nitrogen and rare gases; calcium carbide, acetylene for chemical uses, and carbon dioxide. These and other products are produced by more than 170 plants located from coast to coast.

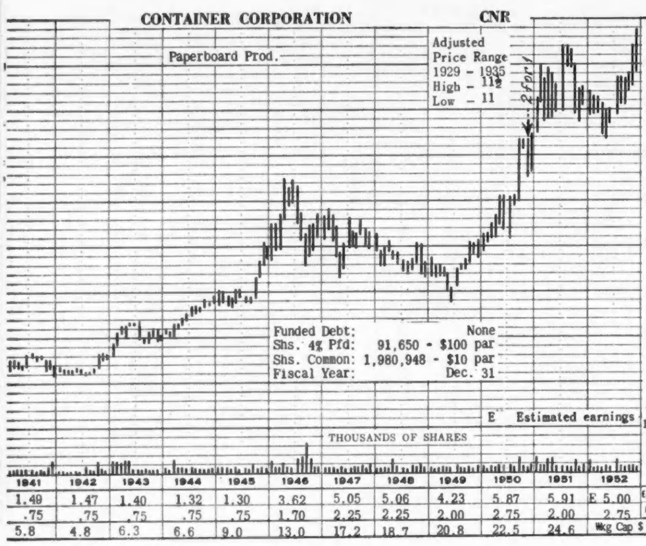
OUTLOOK: Air reduction, although generally regarded as falling into the category of a chemical company, achieved most of its growth since it began operations in 1915, through the sale of oxygen and acetylene, and metal cutting and welding equipment. Excluding the war years, this growth, measured by net sales, in the decade ended with 1948 has been from $27.6 million to $94.8 million. Since 1949, when new management was installed, the company has undergone considerable changes. The company turned outside investments into $7.5 million in cash that has been put to work in its own business, plants were improved and expanded and efficiency increased. Among the major developments have been the construction, requiring a capital outlay of $6 million, of a new 100 tons per day liquid oxygen plant, a new 60 tons per day "dry-ice" plant and continuation of construction work on a new $10 million calcium carbide and acetylene generating plant. The latter, with a rated capacity of 142,500 tons of calcium carbide per annum, is scheduled to start operations early this year and plans already are afoot to double its output by 1954, to meet the increasing needs for acetylene in the manufacture of many chemical products. This expansion program is already bearing fruit. Sales last year reached a record $125 million, approximately. Per share income for the common stock, however, estimated at $2.35, compare with $2.64 in 1951. The 1952 showing was impaired by the effects of the steel strike. Earnings this year will reflect full 12 months' operations at the new liquid oxygen plant as well as the earnings of the calcium carbide plant now approaching completion, and the greater efficiency in the new and modern apparatus plant in operation since early 1952.

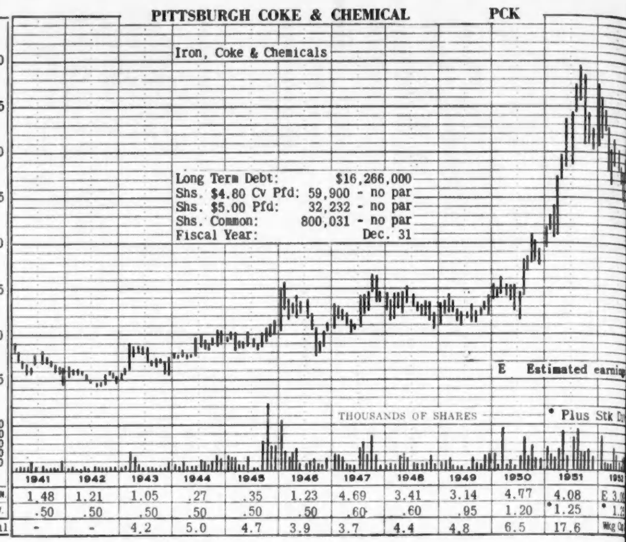
DIVIDENDS: Since initial payment in 1917, quarterly dividends have been paid without interruption. The 1952 rate on the common stock was 35 cents quarterly.

MARKET ACTION: Recent price of 28½, compares with a 1951-52 price range of High—31½, Low—24. At current price the yield is 4.9%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1942	1951 (000 omitted)	Change
ASSETS			
Cash	$ 9,162	$ 13,194	+$ 4,032
Marketable Securities	3,513	31,826	+ 28,313
Receivables, Net	11,519	16,109	+ 4,590
Inventories	7,716	18,842	+ 11,126
TOTAL CURRENT ASSETS	31,910	79,971	+ 48,061
Net Property	29,279	58,528	+ 29,249
Investments	4,499	1,420	— 3,079
Other Assets	1,303	1,218	— 085
TOTAL ASSETS	$ 66,991	$141,137	+$ 74,146
LIABILITIES			
Sink. Fund Install.		$ 1,000	+$ 1,000
Notes & Acc. Payable	$ 2,240	3,149	+ 909
Accruals	3,326	5,317	+ 1,991
Reserve for Fed. Taxes	8,507	13,564	+ 5,057
TOTAL CURRENT LIABILITIES	14,073	23,030	+ 8,957
Reserves	1,017	655	— 362
Long Term Debt	9,375	26,500	+ 17,125
Preferred Stock		24,879	+ 24,879
Common Stock	27,975	27,976	+ 001
Surplus	14,551	38,097	+ 23,546
TOTAL LIABILITIES	$ 66,991	$141,137	+$ 74,146
WORKING CAPITAL	$ 17,837	$ 56,941	+$ 39,104
CURRENT RATIO	2.2	3.4	+ 1.2





CONTAINER CORPORATION OF AMERICA

BUSINESS: This a completely integrated company manufacturing pulp and paperstock from wood, waste paper and straw, converting to paperboard and producing corrugated containers, solid fibre containers, folding cartons, frozen food packages and fibre cans for the packaging and shipping of almost every conceivable product of industry, factory and farm.

OUTLOOK: Estimates of 1952 earnings of Container Corp., place net for the common stock at approximately $5.25 a share. Such a rate of earnings will compare with 1951's record net of $5.91, and 1949 net of $5.87 a share. The failure of 1952 results to match those for the previous year is accounted for by the abnormal buildup of consumer inventories following the development of the Korean situation in 1950, the effect of which carried into the early months of 1952. This condition cut Container's sales in the first nine months of last year to $132 million, a drop of almost $66 million from the sales figures for the first nine months of the previous year. Signs of an upturn began to make their appearance in the 1952 final quarter, and indications are now that the gains in paperboard production and sales will continue well into the current year. Container Corp., the leader in the field, appears to be in a good position to benefit from the increased demand which, if sustained through the full 12 months, should enable it to pull sales close to the 1951 level with a commensurate gain in per common share net. Of importance to the common stock would be the elimination of the Federal excess profits tax scheduled to expire June 30, next, which took $6.2 million or approximately $3.14 per common share out of the company's 1951 earnings. The company is continually expanding production facilities and broadening its package research work to meet growing demand from present and prospective customers, especially in the heavy appliance field.

DIVIDENDS: Since the 2-for-1 stock split in 1950, payments have been at a 50 cents quarterly rate, supplemented by 75 cents extra in both 1951 and 1952.

MARKET ACTION: Recent price of 42¾, compares with a 1951-52 price range of High—43⅞, Low—31⅞. At current price the yield is 6.4%.

COMPARATIVE BALANCE SHEET ITEMS

	Dec. 31 1942	Sept. 30 1952 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 1,502	$ 13,636	+$ 13,134
Receivables, Net	2,380	10,467	+ 8,087
Inventories	3,200	13,214	+ 10,014
TOTAL CURRENT ASSETS	7,082	37,317	+ 30,235
Net Property	16,676	43,375	+ 26,699
Investments	135	3,218	+ 3,083
Other Assets	644	2,406	+ 1,762
TOTAL ASSETS	$ 24,537	$ 86,316	+$ 61,779
LIABILITIES			
Sinking Fund Pay.	....	$ 050	+$ 050
Accounts Payable	$ 1,154	2,312	+ 1,158
Tax Reserve	437	....	— 437
Accruals	612	5,817	+ 5,205
TOTAL CURRENT LIABILITIES	2,203	8,179	+ 5,976
Preferred Stock	....	9,400	+ 9,400
Common Stock	15,625	19,809	+ 4,184
Surplus	6,709	48,928	+ 42,219
TOTAL LIABILITIES	$ 24,537	$ 86,316	+$ 61,779
WORKING CAPITAL	$ 4,879	$ 29,138	+$ 24,259
CURRENT RATIO	3.2	4.6	+ 1.4

PITTSBURGH COKE & CHEMICAL COMPANY

BUSINESS: With coal as its principal raw material, this company is a producer of coke, pig iron and cement, agricultural chemicals, fertilizers, insecticides, plasticizers, protective coatings, activated carbon and fine chemicals.

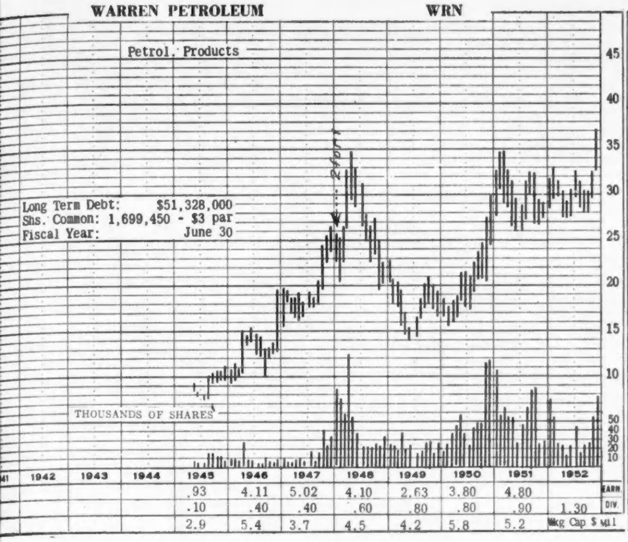
OUTLOOK: A continuance of general industrial activity at current high levels would be indicative of another record year for Pittsburgh Coke & Chemical, with the likelihood of 1953 net sales resuming the six-year upward movement that was interrupted last year by the mid-summer steel strike and its protracted effects through the greater part of the third quarter. These adverse conditions held net sales in the first nine months of the year to $28.2 million and net profits of $1.38 a share for the common stock, compared with $37.6 million and $2.94 respectively in the similar 1951 period. Net sales in the latter year, amounting to $48.6 million represented more than a 33⅓% gain over 1950's sales of $36 million, and better than four times 1946's figures of $12 million. Net earnings have kept pace, moving up from $1.23 a share in the earlier year to $4.77 in 1950, and equalling $4.08 in 1951, the decline in that year being accounted for by increased fixed charges resulting from an addition of $7.4 million to debt and issuance of $6.4 million of preferred stock to increase working capital and help defray capital expenditures of close to $34 million in the post-war years. The company's aggressive expansion program has been about evenly divided between increasing its output of chemicals and adding about 40% to coke capacity and raising pig iron output by 60% through a new $8 million blast furnace completed only last December. This expansion represents a balanced program. The enlarged capacity of coke and pig iron provides the base for still greater expansion of chemicals output for which the company has prepared additional plants to produce among other things, dyestuffs and pharmaceuticals. The immediate outlook gives this issue good near-term market possibilities and added attractive for its longer-term growth potentials.

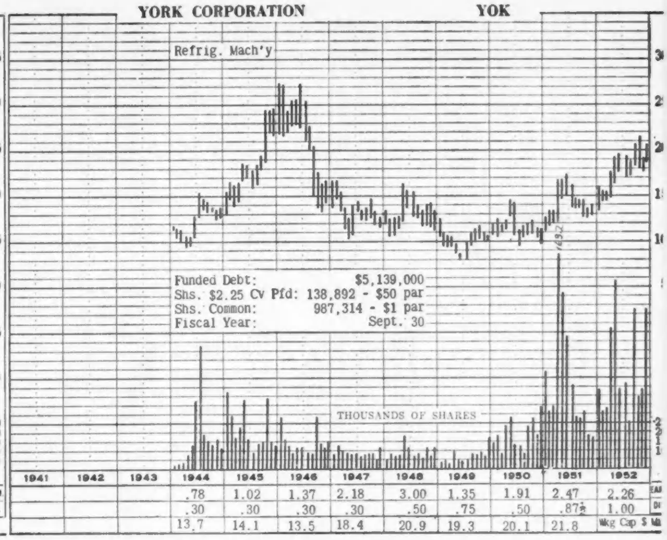
DIVIDENDS: Payments on the common stock last year were at a quarterly rate of 25 cents, plus a year-end extra of the same amount and 2% in stock.

MARKET ACTION: Recent price of 29½, compares with a 1951-52 price range of High—39¾, Low—19¼. At current price cash dividends yield is 4.2%.

COMPARATIVE BALANCE SHEET ITEMS

	Dec. 31 1944	Sept. 30 1952 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 2,245	$ 8,624	+$ 6,379
Receivables, Net	1,391	4,792	+ 3,401
Inventories	3,012	14,162	+ 11,150
TOTAL CURRENT ASSETS	6,648	27,578	+ 20,930
Net Property	8,756	25,404	+ 16,648
Investments	1,152	5,217	+ 4,065
Other Assets	326	625	+ 299
TOTAL ASSETS	$ 16,882	$ 58,824	+$ 41,942
LIABILITIES			
Current Debt	$ 115	$ 895	+$ 780
Accounts Payable	918	4,295	+ 3,377
Accruals	020	1,282	+ 1,262
Accrued Taxes	527	2,226	+ 1,699
TOTAL CURRENT LIABILITIES	1,580	8,698	+ 7,118
Reserves	175	349	+ 174
Long Term Debt	3,285	15,690	+ 12,405
Preferred Stock	2,330	9,140	+ 6,810
Common Stock	6,124	12,369	+ 6,245
Surplus	3,388	12,578	+ 9,190
TOTAL LIABILITIES	$ 16,882	$ 58,824	+$ 41,942
WORKING CAPITAL	$ 5,068	$ 18,880	+$ 13,812
CURRENT RATIO	4.4	3.2	— 1.2





WARREN PETROLEUM CORPORATION

BUSINESS: Ranks as one of the largest producers and distributors of natural gasoline and liquefied petroleum gas. It owns 12 processing plants and has varying interests in 10 others; operates 1,400 miles of pipe line, 3,775 tank cars, and controls extensive proven and potential oil and gas acreages.

OUTLOOK: Natural gasoline and liquefied petroleum gas, or lp-gas, represent one of the fastest growing divisions of the oil industry. Sales of lp-gas have recorded an average gain of 25% in each of the last 10 years, reflecting rising demand for cooking and heating in rural and suburban homes with the rate of consumption sharply accelerating more recently by increased use as an efficient engine fuel for driving farm machinery, busses and other vehicles. Moving upward with lp-gas sales has been the demand for natural gasoline, used primarily as a blending agent to increase the octane and volatility of gasoline, essential qualities for gasoline's efficient performance in today's high compression gasoline engines. Warren's growth has paralleled the marked expansion in these products. Its gallonage sales of lp-gas have increased from 132.5 million in the 1942 fiscal year to 651.6 million in the year ended June 30, 1952. In the same period, its natural gasoline sales increased from 234.8 million to 647.7 million gallons. Together, these products accounted for 81.9% of 1951-52 total operating revenues of $103.5 million, a record figure, up by 555% over 1943 revenue of $15.8 million when net income was equal to 53 cents a share. Those earnings compare with $3.80 a share in the 1950-51 year and $4.80 in the fiscal year ended last June. New records are likely to be made by Warren in its current fiscal year. Sales in the first quarter were 24% ahead of those in the same quarter of the year previous. Net equalled $1.35 a share, 44.6% higher than the 94 cents earned in the first three months of 1951-52. On the basis of recent earnings and the immediate outlook the shares, developing greater market momentum lately, appear attractive for their near-term appreciation possibilities.

DIVIDENDS: Payments have been made in each year since 1945. The 1952 40 cents quarterly rate was increased from 20 cents paid in final 1951 quarter.

MARKET ACTION: Recent price of 37, compares with a 1951-52 price range of High—37, Low—26. At current price the yield is 4.3%.

COMPARATIVE BALANCE SHEET ITEMS

ASSETS	Nov. 30 1944	June 30 1952 (000 omitted)	Change
Cash & Marketable Securities	$ 4,276	$ 10,703	+$ 6,427
Receivables, Net	1,305	8,152	+ 6,847
Inventories	102	6,698	+ 6,596
TOTAL CURRENT ASSETS	5,683	25,553	+ 19,870
Net Property	5,014	92,743	+ 87,729
Investments	....	1,035	+ 1,035
Other Assets	077	837	+ 760
TOTAL ASSETS	$ 10,774	$120,168	+$109,394
LIABILITIES			
Notes Payable	....	$ 2,141	+$ 2,141
Accounts Payable	$ 1,197	6,746	+ 5,549
Accruals	003	2,151	+ 2,148
Tax Reserve	1,958	5,770	+ 3,812
TOTAL CURRENT LIABILITIES	3,158	16,808	+ 13,650
Deferred Rental Oblig.	....	13,241	+ 13,241
Reserves	....	170	+ 170
Other Liabilities	018	604	+ 586
Long Term Debt	3,000	36,328	+ 33,328
Common Stock	4,000	5,449	+ 1,449
Surplus	598	47,568	+ 46,970
TOTAL LIABILITIES	$ 10,774	$120,168	+$109,394
WORKING CAPITAL	$ 2,525	$ 8,745	+$ 6,220
CURRENT RATIO	1.8	1.5	— .3

YORK CORPORATION

BUSINESS: Designs, manufactures and installs refrigeration equipment for reducing and controlling industrial plant temperatures, and manufactures air conditioning equipment ranging from large, specially designed systems, and year-round residential units, to small, one room air conditioners.

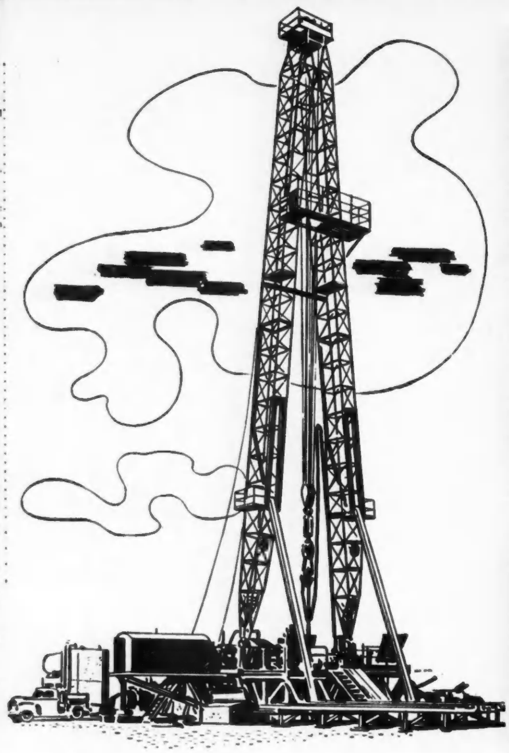
OUTLOOK: Along with the increasing need for control over temperatures and humidity in the manufacture of the many new products that have lately developed such as plastics, synthetic fibers, etc., is the rising trend in commercial air conditioning and signs of an upsurge in residential and one room air conditioning units. York, firmly entrenched in the refrigeration and air conditioning equipment fields appears to be in a good position to get its share of the anticipated bigger 1953 market. The company began its current fiscal year on October 1, last, with $23.6 million of uncompleted orders, an increase of $3.5 million over the year previous, without including orders on hand from dealers for accessory equipment and supplies. Sales for the year ended Sept. 30, 1952, totaled $59.1 million, an all-time high and a gain of 3% over 1950-51. Earnings of $2.26 last year compare with $2.37 a share in the year before, the decline being accounted for by scarcity of materials under CMP and the inability of the company to offset cost increases because of price fixing by the OPS. Indications are that the materials situation eased considerably in the company's first quarter and should continue to be less stringent through the balance of the year. This more favorable condition should enable York to operate at a much higher rate, enabling it to meet 1953 demands of its customers, something it could not do last year because of the intermittent flow of materials and the resultant disruption of efficient operations. Meanwhile, the company is strengthening its research and engineering organizations and doubling efforts to achieve still greater efficiency, steps that should be productive of increased 1953 earnings and providing the base for continued growth.

DIVIDENDS: Payments at an annual rate of 50 cents a share in 1950, were increased to 87½ cents in 1951, and again raised to 25 cents a share quarterly in 1952.

MARKET ACTION: Recent price of 19, compares with a 1951-52 price range of High—21⅜, Low—11. At current price the yield is 5.2%.

COMPARATIVE BALANCE SHEET ITEMS

ASSETS	September 30 1942	1952 (000 omitted)	Change
Cash & Marketable Securities	$ 1,190	$ 5,474	+$ 4,284
Receivables, Net	5,970	9,264	+ 3,294
Inventories	8,168	18,047	+ 9,879
Uncompleted Contracts	589	625	+ 036
TOTAL CURRENT ASSETS	15,917	33,410	+ 17,493
Net Property	6,115	11,297	+ 5,182
Investments	776	330	— 446
Other Assets	508	748	+ 240
TOTAL ASSETS	$ 23,316	$ 45,785	+$ 22,469
LIABILITIES			
Accounts Payable & Accru.	$ 5,015	$ 7,115	+$ 2,100
Other Accruals	1,287	503	— 784
Income Tax Reserve	782	3,001	+ 2,219
TOTAL CURRENT LIABILITIES	7,084	10,619	+ 3,535
Reserves	....	170	+ 170
Long Term Debt	4,836	3,900	— 936
Preferred Stock	....	6,945	+ 6,945
Common Stock	962	987	+ 025
Surplus	10,434	23,164	+ 12,730
TOTAL LIABILITIES	$ 23,316	$ 45,785	+$ 22,469
WORKING CAPITAL	$ 8,833	$ 22,791	+$ 12,958
CURRENT RATIO	2.2	3.1	+ .9



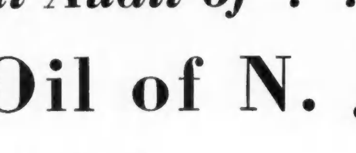
. . *Investment Audit of* . .

Standard Oil of N. J.

By STANLEY DEVLIN

It is easy to understand why oil stocks have attained such wide appeal among investors. Hundreds of millions of dollars in wealth have been created since the first successful oil well was drilled near Titusville, Pa., 94 years ago. Petroleum products not only have proved the source of vast riches, but they have added immeasurably to the comforts of mankind. Despite economic recessions, the oil industry has maintained an uninterrupted growth that is difficult to match. In this record of outstanding progress Standard Oil Company (New Jersey) has played a major role.

In appraising the prospects of most oil companies, one would give considerable attention to the outlook for probable demand and supply factors on the assumption that these would have a significant influence on earnings, dividends, etc., which in turn might affect an investor's attitude. Immediate industry factors seem relatively unimportant, however, in viewing the longer term perspective for Jersey Standard. Although the "granddaddy of them all" may not offer the greatest potentialities for capital gain or even the most generous income for investors depending on a steady return on their capital, for diversification and for industry leadership, for intrinsic value and for enlightened management, this company would be hard to beat.



Dominant Factor in U. S.

Standard Oil Company (New Jersey) is one of the largest industrial organizations in the world and is by far the dominant factor in this country. It is difficult to appreciate the company's extensive resources by a mere description of operations in this country and abroad. Even to cite the fact that the company has more than 250,000 stockholders and upward of 120,000 employees seems inadequate. Reserves of crude oil owned directly or controlled by affiliates have been estimated at between 8 billion and 12 billion barrels, a significant portion of the world's known resources. Attention might be called to the fact that total income in 1951 exceeded $3,863 million and presumably was well above that figure last year. Wages, salaries and other employment costs run well above $600 million annually. These statistics afford only a faint hint of the magnitude of operations. Additional statistical information may be found in the accompanying tabulation.

Since Jersey Standard is both an operating company as well as a holder of substantial investments in other oil concerns, the company lends itself to varied approaches in a market analysis. One may examine its underlying assets and

estimate potential values for the shares or he may appraise the concern as a major producer and marketer of petroleum products irrespective of its investment portfolio.

Considering first the "break-up" approach, let us look at some of Jersey's major holdings in other companies. Recent figures put the number of shares of Creole Petroleum Company owned by Jersey Standard at approximately 24 million, or almost 94 per cent of the stock outstanding. This investment would mean that Jersey owned about 4/10th of a share of Creole for each of the 60,571,092 shares of Jersey outstanding. Appraised in the market at about $74 a share, the holdings of Creole would be worth $1,800 million, equal to $29.72 a share for each share of Jersey stock.

Similarly, it may be calculated that the approximately 26 million shares held in Humble Oil & Refining had a net worth, based on the market at the year-end (about $75.50 a share), of $1,963 million, or $31.59 a share on Jersey stock. Jersey holds almost 43/100th of a share of the Humble for each share of the parent company. Holdings of Imperial Oil, amounting to almost 20.1 million shares worth $743.7 million, were equivalent to $12.65 a share on Jersey Standard. The investment in about 12 million shares of International Petroleum, equal to almost 2/10th of a share for each share of the parent company, had a market appraisal of $363 million, or about $5.50 a share on the parent company's common stock.

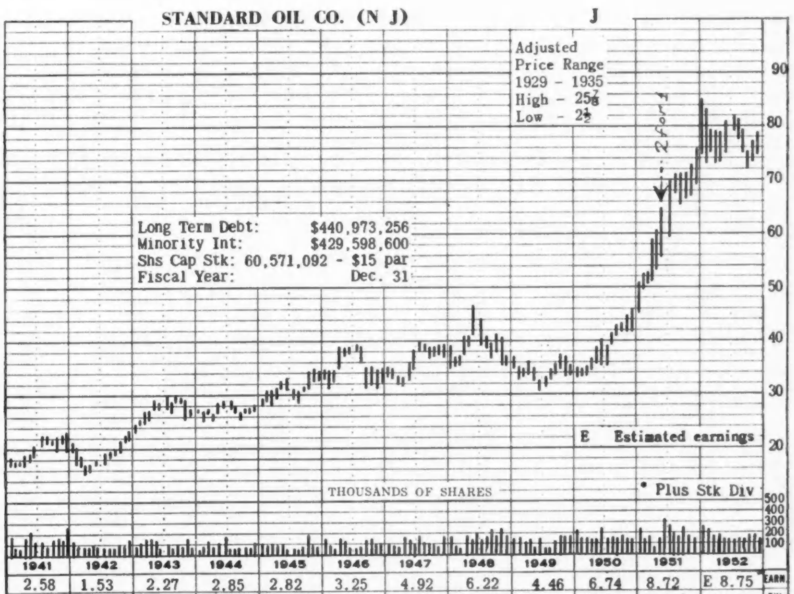
The total value of these investments approximating $4,870 million was equal to $79.26 a share. After allowing for the funded debt of $316,552,000, equal to $5.21 a share, the remainder was equivalent to $74.05 a share. Since the parent company's stock was selling in the open market only about $3 a share above this "breakup" valuation, it seems evident that relatively little value was being placed on the company's other extensive direct holdings of producing and marketing properties. In fact, this evaluation of underlying assets fails to take into account the important position in the Arabian American Oil Co., operating in one of the world's richest producing areas.

Investments Modestly Appraised

If the holdings in the four principal consolidated companies alone are worth almost as much as the outstanding Jersey shares are selling for, it may be wondered why the parent company's stock is so modestly appraised. The answer is to be found in the fact that there is no likelihood of distributing the shares to stockholders in the foreseeable future. If the management con-

Important Holdings of SONJ

Name of Affiliate	Percentage Owned by S.O. of N.J.	Principal Business	Location
Arabian American Oil Co.	30%	Producing, refining and transportation	Saudi Arabia
Creole Petroleum Corp.	94	Producing, transportation, refining and marketing	Venezuela
Humble Oil & Refining Co.	72	Exploration and production	Southern seaboard states, N. Mexico, Ariz., Calif.
		Refining	In Texas
		Marketing and transportation	In Texas and New Mexico
Imperial Oil, Ltd.	70	Producing, transportation, refining and marketing	Canada
International Petroleum Co. Ltd.	83	Producing, transportation, refining and marketing	Colombia and Peru
Iraq Petroleum Co. Ltd.	12	Producing, refining and pipeline transportation	Iraq
Lago Oil & Transport Co. Ltd.	100	Refining	Netherlands West Indies
Standard Vacuum Oil Co.	50	Producing, transportation, refining and marketing	Far East, Australia and Africa
Trans-Arabian Pipe Line Co.	30	Pipeline transportation	Saudi Arabia to Mediterranean Terminal in Lebanon



1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	
2.58	1.53	2.27	2.85	2.82	3.25	4.92	6.22	4.46	6.74	8.72	E 8.75	EARN.
1.25	1.00	*1.00	1.25	1.25	1.54	2.00	*1.00	*2.00	2.50	4.12½	4.25	DIV.
506.2	495.6	585.8	697.0	779.8	739.0	690.0	659.8	847.2	1047.1	1206.5	Wkg Cap $ Mil	

templated relinquishing its holdings, it is safe to say that investors would be willing to pay substantially higher prices for Jersey Standard shares in hope of realizing a handsome return on receipt of the underlying stock.

For a more conventional approach, we may take a closer look at Jersey Standard as a world-wide business enterprise. Following the famous 1911 dissolution which lopped off many segments of the old Standard Oil Trust, incorporated in New Jersey, the present company was left with abundant refining and marketing facilities along the Atlantic Coast but with inadequate sources of crude oil. Immediately after the first World War, which had seen a tremendous advance in consumption of refined petroleum products, Jersey Standard took steps to bolster its competitive position. It turned to Texas, which was beginning to assume leadership in crude production, and gained a strong foothold through acquisition of a half interest in Humble Oil & Refining, a rapidly expanding organization in need of additional capital. This unit, in which Jersey has enlarged its interest to more than 72 per cent, has become the largest crude oil producer and pipeline transporter in the United States. Later the Carter Oil Company, now wholly owned, was added to the producing picture.

In 1927 Standard Oil (New Jersey) divested itself of its operating functions and delegated these activities to affiliated units. A new subsidiary, known as the Delaware Company, was incorporated to undertake all operating activities previously conducted by the parent. The latter devoted its attention to expansion overseas. The operating Standard of New Jersey, known as Esso Standard Oil Company, has large refineries in New Jersey, Maryland and Louisiana and markets its products along the Atlantic Coast from New Jersey to South Carolina as well as in Tennessee, Louisiana and Arkansas and a few other areas. A Pennsylvania subsidiary restricts its operations to that state.

Gilbert & Barker Manufacturing Co., and Enjay Company, both wholly owned, are other important constituents of the organization. The former is engaged in manufacturing oil burner and service station equipment on a large scale, while the latter is engaged in marketing a variety of chemical products.

Immense Canadian Investment

Through its 70 per cent interest in Imperial Oil, Jersey Standard has a strong position in Canada, which looms as a major producing area in coming years. Imperial has continued to expand operations in the prairie Provinces and to raise the percentage of its own crude flowing to the Sarnia, Ontario, refinery, which formerly depended entirely on products from the United States. The enlarged Vancouver refinery is destined to use Canadian crude as soon as the Trans Mountain Pipe Line is completed. Imperial is expected to become one of the most significant units in the Jersey Standard organization as the Dominion markets develop.

More than half of Jersey Standard's crude production is contributed by Creole Petroleum, now almost wholly owned, and thus it may be said that with its affiliates the Jersey concern is the world's largest producer of petroleum products. Detailed statistics for 1952 are not yet available, but preliminary estimates indicate that operations of Creole compared favorably with the 1951 showing, when output averaged 631,000 barrels daily. This represented slightly more than half of the parent company's total productive record of 1.2 million barrels a day. Production in the United States approximated 407,000 barrels daily, while Canadian output amounted to 55,000 barrels daily. Imperial is believed to have accounted for substantial improvement last year. Political risks are involved in operations in some foreign countries, such as in Venezuela, for example, where a recent election threatened for a time to pose problems. Through the years, however, American interests have fared well in exploitation of Latin American resources.

Some apprehension has been felt over political disturbances in the Middle East, where Jersey Standard and other American oil companies have vital holdings. Jersey's principal investment is represented by a 30 per cent interest in the Arabian American Oil Company, which has experienced phenomenal success in development of petroleum sources in Saudi Arabia. Partly as a result of the shutdown of production in Iran, the Arabian American company was called upon last year to expand production. Output rose in 1951 to 762,000 barrels daily from the 1950 rate (*Please turn to page* 488)

Long Term Operating and Earnings Record

	Gross Operating Income (Millions)	Operating Income (Millions)	Operating Margin %	Income Taxes (Millions)	Net Income (Millions)	Net Profit Margin %	Net Per Share	Div. Per Share	Percent Earned on Invested Capital	Price Range
1952 (First 9 months)	$2,962.4	n.a.	n.a.	n.a.	$391.0	13.2%	$6.46	$4.25[2]	......	85 -72
1951	3,785.9	$869.0	22.9%	$325.0	528.4	13.9	8.72	4.12½	18.4%	75¾-45¼
1950	3.134.5	634.8	20.2	207.0	408.2	13.0	6.74	2.50	15.7	46 -33
1949	2,891.9	415.2	14.3	115.0	268.8	9.3	4.46	2.00[1]	11.5	37⅜-30⅛
1948	3,300.7	657.8	19.9	203.0	365.6	11.0	6.22	1.00[1]	16.8	46⅜-34½
1947	2,354.9	431.8	18.3	135.0	268.6	11.4	4.91	2.00	14.7	40 -31½
1946	1,622.3	258.3	15.9	73.0	177.6	10.9	3.25	1.50	10.7	39⅜-30¾
1945	1,618.0	255.2	15.7	69.0	154.1	9.5	2.82	1.25	10.5	34⅜-28
1944	1,638.7	319.3	19.4	114.8	155.3	9.4	2.84	1.25	10.7	29 -25⅜
1943	1,302.8	241.5	18.4	93.0	121.3	9.3	2.26	1.00[1]	9.1	30 -23¼
1942	1,039.3	160.5	15.4	50.0	83.3	8.0	1.50	1.00	6.2	23½-15¼
10 Year Average 1942-1951	$2,268.9	$424.3	18.0%	$138.4	$253.1	10.5%	$4.37	$1.76	12.4%	75¾-15¼

n.a.—Not available.
1—Plus stock.
2—Total 1952 dividend.

IMPORTANT INDIVIDUAL 1952 PRICE MOVEMENTS IN THE 330 STOCKS REPRESENTING THE MAGAZINE OF WALL STREET COMBINED AVERAGE

STOCKS SHOWING ADVANCES

	1952 High	1952 Low	1952 Last	Increase in Points	Percentage Change %
Admiral Corp.	32¾	24¾	30½	+ 3¾	+14%
Allis Chalmers	61⅝	46¼	59¼	8¼	16
Aluminum Co. of America	99½	73¼	95¾	16	20
American Can	36⅛	28⅛	35¾	7⅝	25
American Gas & Elec.	68	58	67⅞	7¾	12
American Mach. & Fdry.	24⅜	16¾	22	3¾	26
Atchison, Top. & Santa Fe	104¾	73½	101½	26¾	35
Atlantic Coast Line	123¾	75¾	119¾	43½	57
Baltimore & Ohio	29⅜	17½	27¾	8⅞	47
Bendix Aviation	64	45⅛	60½	9	17
Borg-Warner	82	61⅝	79¾	15¾	24
Bridgeport Brass	22⅝	15⅜	21⅝	4⅜	27
Caterpillar Tractor	66	47¼	65¼	19¼	41
Chicago Corp.	21½	15¼	19⅜	3¼	20
Chrysler	98	68⅛	96	26	37
C. I. T. Financial	77¼	54	75	18½	32
Commercial Credit	38¾	34⅛	37⅜	7⅜	24
Commonwealth Edison	34⅝	30¼	34⅝	4⅛	13
Consolidated Edison	39⅛	32¾	38⅝	5	14
Consolidated Vultee	20⅞	16½	20⅜	3⅛	18
Container Corp.	43⅞	31⅞	43¾	6¾	18
Continental Can	48¼	41¾	48¼	4¼	9
Continental Motors	10¼	7½	10	1	11
Continental Oil	75	56½	62⅝	6⅜	11
Crown Zellerbach	66½	48½	63½	10¾	20
Delaware & Hudson	52	43	50	7	16
Dome Mines	24	16⅝	20¾	4⅛	24
Dow Chemical	44¼	36½	42¾	4¼	13
Erie R.R.	23½	17¾	22⅝	4⅝	25
Florida Power & Light	34⅞	25¼	34	7¾	29
Freeport Sulphur	46	35¾	42⅝	4⅞	12
General Electric	72¾	54⅜	72¾	13¼	22
General Foods	53¾	41	53⅜	8½	18
General Motors	69½	50	68⅞	16⅞	32
Goodrich, B. F.	79½	55¾	77	15¼	24
Goodyear Tire & Rubber	54¾	40	54½	10½	30
Gulf, Mobile & Ohio	38⅞	25	37⅜	10½	39
Hudson Motor	17¼	12½	17	3⅝	33
Illinois Central	88⅝	54¼	85½	31⅛	57
International Paper	55½	42½	55	6	12
International Tel. & Tel.	20¾	15	19	2½	15
Kansas City Southern	91¼	62	91	26⅛	40
Kroger Co.	42½	31⅞	39½	6¼	18
Lehigh Valley R.R.	21⅞	14	20⅞	6⅛	41
Libby Owens Ford	42¾	33¾	42½	7⅞	22
Liggett & Myers	76	61⅛	73⅞	6⅞	10
Lone Star Cement	31½	23½	29⅞	4⅛	19
Lorillard, P.	25¼	20⅜	24½	3½	16
Middle South Utilities	28⅜	20¾	26¾	4¼	18
Nash-Kelvinator	22⅝	17¾	22⅜	3⅝	19
National Biscuit	35½	29¾	35½	5¼	17
National Dairy	60	48¾	59	9¾	19
National Gypsum	23½	18½	21¾	3¼	20
N. Y. Central	23½	17	22⅛	4¼	23
Niagara Mohawk	28	24⅝	27¾	3⅛	12
Northern Pacific	94⅜	59	82¾	19	29
Ohio Edison	39½	33⅛	38⅝	5¼	15
Pacific Gas & Electric	39⅝	32⅝	39⅛	5⅜	15
Paramount Pictures	30⅞	21¼	28⅛	3	12
Penna. Power & Light	33⅜	26⅞	32½	5⅛	18
Penna. R.R.	24	17¾	22⅝	4¾	26
Pepsi-Cola	11⅞	8¾	11⅞	2⅛	21
Philco	36⅜	26⅝	35¼	8¼	30
Phillips Petroleum	64⅞	48½	63¼	12¼	24
Purity Bakery	33½	28¾	33	4¼	14
Radio Corp.	29⅜	23¼	28⅜	4⅞	20
Reynolds, R. J.	47	40½	47	6½	30
Richfield Oil	74⅝	53⅜	64	9¾	17
St. Regis Paper	24¼	16¾	19⅞	2¾	16
Seaboard Air Line	117¾	67½	112	43½	65
Servel	13⅝	7½	13	5	62
Southern Co.	16⅞	12¾	16	3⅛	24
Southern Pacific	47⅞	38¾	46	16⅝	52
Southern Railway	83⅞	48¾	82	32¼	64
Sperry Corp.	45¼	31½	42⅝	9⅜	28
Standard Brands	28⅜	22¼	27¾	5¼	23
Standard Oil Calif.	64¼	50⅛	59¼	8⅜	16
Stewart-Warner	22⅜	18⅛	22⅛	2⅝	13
Studebaker	40⅜	31¾	40⅛	6⅜	18
Texas Gulf Prod.	37	27⅜	36⅛	7⅝	26
Texas Gulf Sulphur	116¾	100¼	110¼	10⅛	10
Union Carbide & Carbon	72¼	57	71⅝	8	12
Union Pacific	121½	100	115¼	15¼	15
United Aircraft	38½	28	38	6⅜	20
United Gas Corp.	29⅛	24⅜	28⅜	3⅝	14
U. S. Rubber	30⅞	22⅛	30⅞	5⅛	19
Virginia Electric & Power	27¼	21¾	27¼	5⅜	24
Warren Petroleum	37	27¼	36¾	8⅝	30
Westinghouse Electric	48¾	35⅛	47¾	7⅞	19
Willys-Overland	13⅛	8⅝	12⅝	3	31
Zenith Radio	88½	68	81	13½	20

STOCKS SHOWING DECLINES

	1952 High	1952 Low	1952 Last	Decrease in Points	Percentage Change %
American Airlines	16¾	12¼	14¾	— 2⅛	—12%
American Bosch	15⅜	10⅝	11⅞	2⅝	16
American Broadcasting	12¾	8½	9¾	1⅝	14
American Cyanamid	59¾	50½	53⅞	4¾	9
American Rad. & S.S.	16¾	13¾	14⅜	1⅜	8
American Viscose	69⅞	57	60⅛	5⅜	8
American Woolen	37¼	22¼	27	9¾	26
American Zinc & Lead	26⅜	16½	19⅜	5⅛	20
Anaconda Copper	55¾	38	42½	8	15
Armour	12⅞	8⅜	10⅝	1¾	13
Braniff Air	14⅜	9⅛	10⅛	4¼	29
Burlington Mills	19¾	14⅝	16¾	2⅜	12
Callahan Zinc	3⅞	1¾	2⅛	1½	41
Case, J. I.	30⅛	23	24¼	9¼	27
Celanese Corp.	51⅝	33⅜	38⅛	14	26
Cerro de Pasco	58¼	34	37¼	16½	27
Colorado Fuel & Iron	22⅝	17	19¼	2	9
Commercial Solvents	35⅛	17⅜	21⅞	9⅛	29
Crane Co.	38¼	28⅝	31½	6⅜	16
Crown Cork & Seal	19¾	12⅝	14½	4½	23
Cuban American Sugar	20⅞	15¼	16⅛	3⅞	19
Emerson Radio	15¾	11½	12¾	2¼	15
Fallsansbee Steel	23⅜	14½	15⅝	5⅜	25
Foster Wheeler	24⅜	17⅞	20	2⅞	12
Gimbel Bros.	18⅛	14⅝	15½	1⅝	9
Graham Paige	3⅝	2	2¼	⅝	21
Kresge, S. S.	39⅞	34	35¼	4⅛	10
Lehigh Valley Coal	2⅛	1¼	1½	¼	14
Loew's	18¼	11½	12¾	4½	26
Mack Trucks	17⅛	12	12¼	3	19
Macy, R. H.	31⅞	24¾	25⅛	5½	17
Minn.-Moline	24⅛	16	17¼	7¼	29
Mo.-Kans.-Texas	8½	3¾	5½	2⅛	27
National Distillers	34⅛	19½	22½	11⅝	34
Newport Industries	20⅞	11¾	14⅜	4⅞	25
N. Y. Shipbuilding	18⅞	13⅞	15	3¾	20
Northeast Airlines	16¾	11¼	13¼	2½	15
Oliver Corp.	17½	13	14	3⅝	20
Owens-Ill. Glass	85¾	69¼	76	8⅝	10
Pan Amer. W. Air.	12	9	9⅝	2⅛	18
Patino Mines	18⅛	5½	7⅜	9	50
Pressed Steel Car	13¾	9¼	10⅜	2¼	17
Remington Rand	21¼	17¾	18⅞	2⅛	10
Rexall Drug	6⅝	5	5⅝	¾	11
St. Joe Lead	54	35¼	41⅜	7⅞	7
Schenley Industries	33¼	23¼	26¾	5⅝	17
Spiegel	10½	7½	8	2⅛	19
Stand. Oil of Ohio	47⅞	35⅝	38⅛	3¾	9
Trans-W. Air	23¾	16⅜	17⅞	6¼	18
United Air Lines	33⅞	24⅝	29½	4⅛	12
United Fruit	64¾	53½	57⅛	6½	10
United Paramount Theatre	21¼	11½	13¾	6	30
Walworth	10¾	8	8¼	2	19
Warner Bros. Pict.	15¼	11⅜	13½	1⅜	9
White Motor	29⅜	25	25⅛	4⅛	11

1953 Outlook for Bank Shares

By J. S. WILLIAMS

For the first time in a number of years, bank shares have attracted substantial investment interest. This authoritative article describes the factors which have imparted new strength to this traditional investment field.

Bank shares recently have been in greater favor with the investing public. In a great majority of cases, this has been the response to better earnings and dividends. Such a sharp jump in popularity of this important group naturally raises the question: What has brought about the change; what are the conditions that have so brightened the picture? To what extent will they continue? What is the future of interest rates and demand for money? What changes are likely in bank holdings of government securities—the portfolio dollar total, distribution of maturities, current yields, and realized profits or losses? Can the rise of gross operating income keep ahead of the ever-advancing level of expenses and taxes? Will the prevailing trends continue as to stock dividends, sales of additional capital stock, mergers, and branch expansion?

Examination of the 1952 annual reports just published by a group of something over fifty of the leading commercial banks in twenty large cities, comprising most of the banks having a national reputation among investors, shows moderate increases last year in both resources and earnings, with few exceptions. Net income after taxes was up, in most cases, from 5 to 10%, compared with the preceding year. The few decreases reported last year were negligible in amount, and though there were a few gains of more than 15%, the general increase indicates the unusual stability of bank operations. Naturally, this has attracted increased attention from corporation investors.

Factors in Net Income

The principal factors determining bank net income are comparatively easy to identify and to measure. For example, the amount of loans times the average rate, equals the loan gross income. Likewise, the security portfolio times the average yield, equals the investment gross income. And such revenue from loans, investments, and other sources (service charges, safe deposit, trust accounts, foreign branches, etc.) less total expenses and taxes, equals net operating income.

The latter figure, as reported by most banks, is before any profits realized on the sale of securities; before recoveries on loans previously charged off; and before crediting various reserves that are no longer needed; likewise, it is before setting aside reserves for losses on bad debts, securities, etc. However, accounting practices are far from uniform among leading banks, and investors therefore cannot rely upon the reported "net income" as being an absolutely accurate statement of the "real earnings".

As to loans, the outstanding total of the weekly reporting commercial banks increased by approximately 10% last year to a new record-high. About half of the increase was in commercial, industrial and agricultural loans, while the other half was in loans to brokers and dealers in securities, real estate loans, consumer credit, and other categories—all of which increased with the exception of loans to banks.

At the same time, interest rates averaged slightly higher. The New York prime rate of 3% was in effect throughout the year 1952, whereas it had started 1951 at 2¼% and was marked up to 2½% in January, to 2¾% in October, and to 3% in December. That rate during a fourteen-year stretch, 1933-47, was only 1½%, from which it was increased in December 1947 to 1¾%, in August 1948 to 2%, and in September 1950 to 2¼%. The prime rate, of course, is granted only on large loans to the highest-rated customers; rates on other loans run proportionately higher, depending on risk, expense, and other factors. The former geographical spreads in interest rates are continuing to narrow as a result of keen competition among the big banks; rates in the West and South are no longer appreciably higher than in the East.

Looking ahead in 1953, it appears from the general

business outlook that the demand for money should continue active, but will not expand as much as last year, since it appears unlikely that there will be another inflationary price advance or inventory accumulation, and since projected capital outlays for plant and equipment expansion are now no longer increasing. However, money remains relatively tight and it would not be beyond the bounds of possibility if rates should firm again, particularly if business volume should continue to remain high.

U.S. Government security holdings of the commericial banks are, in total, only slightly higher than a year ago, but banks have shifted out of the short-term certificates into the longer-term bonds. This shift has given them materially higher yields, in addition to which they have benefited from the upward trend of interest rates on government securities that occurred all up and down the maturity scale. Holdings of other securities—mostly municipals—are higher, and yields are up slightly.

Whether bank holdings of U.S. securities will increase further this year would seem to depend largely on whether the federal budget deficit can be eliminated or at least reduced by the new Administration. Even though the total bank portfolio should remain unchanged, the banks stand to profit by moderately higher interest rates as their maturing issues are replaced by new offerings with terms in line with the higher market yields now prevailing.

Bank Expenses Still Rising

On the expense side, the trend of the major items is still upward. In common with other lines of business, bank wages and salaries have had to be raised substantially since the war, but there should be less pressure for further increases if the cost of living does not resume its inflationary advance. Banks are having to pay out higher rates of interest on their thrift accounts, in order to compete with the higher rates now offered by savings banks and by savings and loan associations.

Banks also have a tremendous and still rising bill for stationery, office equipment, building maintenance, and the like. On the other hand, numerous banks stand to benefit from the expiration of the excess profits tax in June, and all banks, like business generally, are looking hopefully to a lowering of the federal normal tax and surtax later on. Speaking generally, so long as bank gross income can be maintained, or perhaps increased slightly, it would appear likely that total expenses can be held under control.

As for profits or losses arising from the special transactions referred to above in connection with reserves and other adjustments, it would be difficult to make a prediction. Many banks in prior years showed lush profits from the sale of U.S. securities, but this situation has disappeared. On the contrary, the rise of interest rates, which the banks seemed to want so earnestly, caused a decline in the government market and brought about—in many instances—red figures in the bond valuation accounts.

The reserve for bad debts, permitted as a tax deduction beginning in 1947 and created by charging a limited percentage of earnings annually, is agreed to be a sound and well-established principle. It provides for setting aside such reserves when business is active, loans expanding, and interest income rising, so that they will be available for meeting the inevitable losses that develop during the lean years. Thus it represents a "hidden" or "inner" reserve, which does not appear on the balance sheet or as part of the "book value".

Such reserves and special adjustments, however, are usually of a highly technical nature and of less significance to the average investor than are the operating earnings alone. The latter afford a much more consistent record of a bank's progress over a period of time.

The good operating earnings in 1952, combined with conservative dividend payments, helped banks generally to build up their capital funds—which are still inadequate (*Please turn to page* 486)

Statistical Data on Leading Bank Stocks

	Book Value Per Share 12/31/52	Book Value Per Share 12/31/51	Deposits 12/31/52 (Millions)	Deposits 12/31/51 (Millions)	Total Assets 12/31/52 (Millions)	% of Total Assets U. S. Govt. Securities	% of Total Assets Loans and Discounts	Net Per Share* 1952	Net Per Share* 1951	Div. 1952	Recent Price	Div. Yield
Bk. of Amer., N.T.&S.A.	$ 17.68	$ 16.97	$7,485.1	$6,815.8	$8,201.6	19.1%	49.6%	$ 2.10	$ 2.12	$ 1.60	31	5.1%
Bank of Manhattan	33.79	32.90	1,269.3	1,253.2	1,388.0	22.5	42.0	2.53[1]	2.38[1]	1.40	35	4.0
Bankers Trust	57.85	56.29	1,906.9	1,944.2	2,136.7	23.5	47.3	3.97[1]	2.96[1]	2.00	54	3.7
Chase National Bank	50.69	48.81	5,247.0	5,149.6	5,742.6	18.3	43.7	3.48	2.90	2.00	48¾	4.1
Chemical Bk. & Trust	49.27	47.31	1,881.3	1,775.1	2,048.1	23.7	40.2	3.96	3.33	2.00	51	3.9
Continental Illinois	88.48	84.96	2,568.7	2,480.2	2,800.5	46.2	27.3	7.12	6.77	4.00[2]	93½	4.2
Corn Exchange, N. Y.	66.75	65.21	770.9	788.6	824.6	41.5	22.4	4.54	4.51	3.00	66	4.5
First Nat. of Boston	48.00	46.85	1,530.4	1,495.1	1,706.6	24.1	42.4	4.13[1]	3.94[1]	2.25	51	4.4
First Nat. of Chicago	206.70	193.76	2,607.3	2,477.3	2,828.6	25.0	43.2	16.49	14.85	8.00	250	3.2
First Nat. of N. Y.	474.32	472.04	553.4	609.5	754.0	28.2	32.5	24.29	25.15	35.00[2]	395	8.8
Guaranty Trust	385.90	377.97	2,625.3	2,699.8	3,149.0	22.2	49.7	23.93	17.57	15.00	360	4.1
Hanover Bank	118.43	115.44	1,676.8	1,663.2	1,848.4	27.6	37.3	7.75	7.23	4.00	99½	4.0
Irving Trust	24.28	23.92	1,263.9	1,241.4	1,414.3	24.9	44.6	1.63[1]	1.56[1]	1.10	24	4.5
Manufacturers Trust	67.88	63.92	2,726.4	2,569.9	2,948.9	27.3	29.6	5.31[1]	4.96[1]	2.60	65	4.0
Nat. City of N. Y.[3]	53.64	50.69	5,717.7	5,548.9	6,256.9	23.9	36.3	3.98[1]	3.51[1]	2.00	53¾	3.7
New York Trust	120.41	116.96	718.1	704.8	807.2	27.7	41.7	8.70[1]	8.09[1]	5.00	116½	4.3
Philadelphia National	94.30	91.47	810.6	813.2	890.0	22.3	35.7	......	......	5.00	109½	4.5

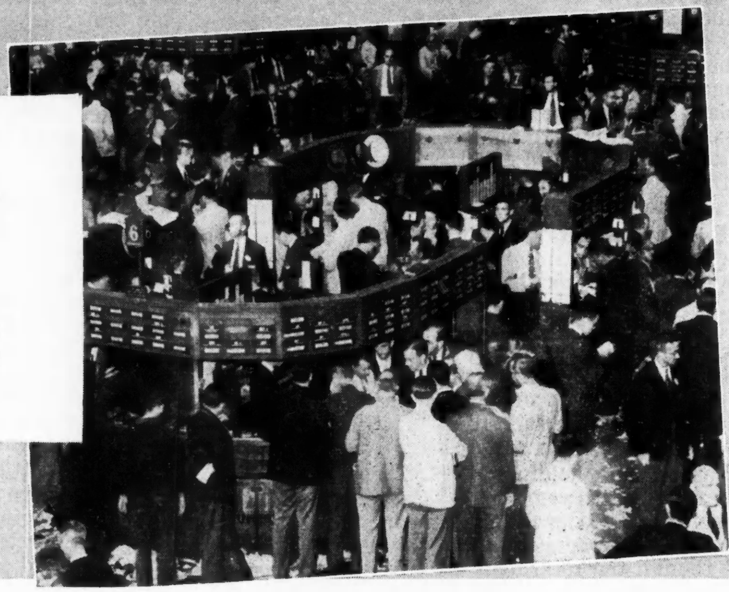
*—Net indicated earnings.

1—Net operating earnings.

2—Plus stock dividend.

3—Including City Bank Farmers Trust Co.

FOR PROFIT AND INCOME



Precedent

A strongly confident stock market performance in December has more often than not been followed by attainment of new highs in January, with the latter bettered at least by summer, and with the summer highs bettered before the year-end. There have been exceptions — so neither this "gimmick" nor any other promises sure profits in the market. The high up to this writing was made January 5, conforming to the precedent of seasonal year-end strength. The chances are strong that there will be a substantial correction, on which selected stocks can be bought to advantage, some time between now and early spring. Thus, February and April have been down months, on balance, for the industrial average in a majority of years; while March has been an up month on average, but in a much smaller majority of years than either January or December. The next strongly favorable seasonal period is July-August, which is to say quite a distance ahead.

Industrials

The Dow industrial average had a net gain of only about 8.4% in 1952, despite the good November-December rise. Among the 30 stocks making up this average, performance varied widely as it does every year. The biggest gainers, faring far better than the average, were Chrysler, up roughly 39%; General Electric about 21%; Goodyear 23%; General Motors, nearly 33%; General Foods 19%; Standard Oil of California 16%; United Aircraft, nearly 20%; and Westinghouse Electric, nearly 20%. The largest losers were National Distillers, down nearly 34%; and Loew's, down about 26%. There were small to moderate declines by American Smelting, Corn Products, Eastman Kodak and International Harvester. The latter stock, picked by many analysts during the last several years as a good-grade "secondary" well behind the market, has been a chronic disappointment. The other stocks in the average did nothing of particular note in 1952, some gaining a little more or a little less than the average, some moving about with it.

Rails

With a net rise of 36.2% in 1952, the rail average outgained the industrial by better than four to one. The variations were mainly a matter merely of differences in size of gains. Only one of the 20 issues in this average lost ground—the much touted Canadian Pacific, down 2¼ points. Some of the outstanding performers in percentage gain were Atlantic Coast Line, up about 56%; Baltimore & Ohio, up 47%; Illinois Central, up nearly 58%; New Haven, up 45%; Southern Pacific, up 51%; and Southern Railway, up about 64%.

Looking Ahead

Probably the percentage from here on is with some of the more speculative rails, quite a few of which remain under highs reached in the forepart of 1951. Some "behind-the-market" speculative rails include 'Frisco, New York Central, Chicago & Eastern Illinois and Pennsylvania.

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1952	1951
Cessna Aircraft Co.	Year Sept. 30	$1.59	$1.14
North American Avia.	Sept. 30 Quar.	.76	.57
Raytheon Mfg. Co.	Nov. 30 Quar.	.56	.32
Texas Utilities Co.	Nov. 30 Quar.	.91	.83
Southern Railway	11 mos. Nov. 30	15.17	8.95
Caterpillar Tractor	11mos. Nov. 30	5.09	3.36
Swift & Co.	Year Nov. 1	3.66	2.04
International Tel. & Tel.	9 mos. Sept. 30	2.13	1.84
Omnibus Corp.	9 mos. Sept. 30	.60	.04
Willys-Overland Motors	Year Sept. 30	2.01	1.46

Utilities

The Dow utility average had a 1952 net rise of 10.8% or moderately more than the industrial average, which is unusual. The outstanding gainers were Houston Light & Power, up 34.8%; Pacific Gas & Electric, up 15.8%; Consolidated Edison, up 14.8%; and American Gas & Electric, up 12.9%. Among the natural-gas utilities in the average, Panhandle Eastern Pipe Line was outstanding, with a net gain of about 35.5%. There was a small decline for Columbia Gas, no change for Consolidated Natural Gas.

Lesson

The large gain by Houston Light, heretofore cited, is not happenstance; and there is a lesson in it. The percentage is to buy growth utilities operating in favored sections of the country. On a market basis, they offer more long-term promise than other utilities; and probably no greater risk, if as much, in periods of cyclical market decline. However, the investor does have to accept a moderately lower current yield on issues of this kind. To cite some examples, among growth utilities not included in the Dow utility average, there were net 1952 gains of 34.7% by Florida Power, 24.4% by Southern Company, 23.6% by Texas Utilities, 18.8% by Middle South Utilities, and 18.1% by Central & South West. That these and similar utility growth stocks will do as well this year is conjectural, if not improbable; but that they will fare better than average over the long pull is highly probable.

Lower Costs

Agricultural commodities and some other raw materials are down importantly from their highs. Barring a fresh global-war scare, this trend probably has further to go over a period of time. This is not an unmixed blessing for the economy, but it can significantly aid profits in some lines of business wherein costs of materials have been burdensome or restrictive in some degree. For instance, sharply lower tallow coats should mean somewhat better margins for soap makers like Procter & Gamble and Colgate-Palmolive-Peet. Lower corn prices benefit corn refiners like Corn Products and Penick & Ford. More favorable hide prices help shoe manufacturers, and partly account for recent improved market behavior of stocks like General Shoe, Brown Shoe, Melville Shoe and others. Lower average tobacco-inventory costs probably will aid snuff and cigarette companies to some degree in 1953 and more in 1954. Lower ingredient costs will help biscuit bakers like National, Sunshine and United; also bread and cake bakers like Continental, General, Purity and Ward. The same should be true, in time, for the various companies making confectionery, chewing gum and soft drinks. A few of numerous examples: American Chicle, Life Savers and Coca Cola. Finally, lower food prices should importantly benefit restaurant chains like Shattuck (previously commented on in these pages), Horn & Hardart and Waldorf.

Melville Shoe

This company is the largest integrated manufacturer and retailer of shoes. It has paid unbroken, and generally liberal, dividends since 1916. It operates 12 factories and some 577 retail stores in 328 cities in 42 states, most of them under the Thom McAn name. Last September it took over by merger Miles Shoes, Inc., operating about 145 stores, mostly in New York and New Jersey. The 1952 report probably will show a gain in net income. With share capitalization increased by the Miles merger, per-share results may not have been much better than 1951's $2, reduced from $2.22 in 1950. Favorable comparisons for margins and profits are indicated for at least the 1953 first half, and are more likely than not for the full year. The dividend has been on a $1.80 annual basis since 1948 or for five years. It appears secure in view of improving conditions for the shoe trade and the company; and of Melville's strong financial position. The stock has risen moderately in recent weeks to a current new 1951-1952 high of 27. It has never sold importantly higher than this, but reached 29¾ in 1946 on net of only $1.73 a share and dividends of $1.15. The yield basis at the 1946 high was less than 3.9%, compared with over 6.6% at the present time. The stock is attractive primarily for generous return.

Stock Groups

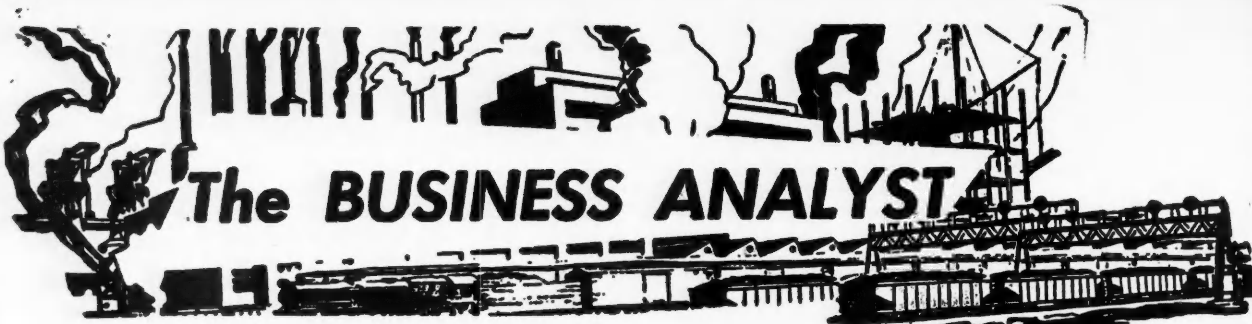
In recent trading sessions prior to this writing, corrective recession has been the rule in the market – more so than in some weeks, even though of minor proportions so far. under this condition, superior performance by some stock groups might have all the more significance. Groups showing special strength on this reckoning include aircraft, coal, baking, dairy products, containers, soft drinks, steel and tires. The bank and insurance-company stocks also continue to fare well.

Strong Stocks

Individual stocks recently making new 1952-1953 highs in a generally softish market include Clevite (which we commented on favorably some weeks ago and which has been close to a sensation), Affiliated Gas Equipment, Best Foods, Douglas Aircraft, Electric Auto-Lite, Fedders-Quigan, Gamewell, General Mills, General Shoe, General Telephone, New York Central, Raytheon, Revere Copper & Brass, Western Maryland, Carrier Corp., Continental Motors, Firth Carpet, Goodrich, Helme, Associates Investment, Firestone, General Instrument, Goodyear, Homestake, Motor Wheel, National Biscuit, Sangamo Electric and Sheller Manufacturing.

DECREASES SHOWN IN RECENT EARNINGS REPORTS

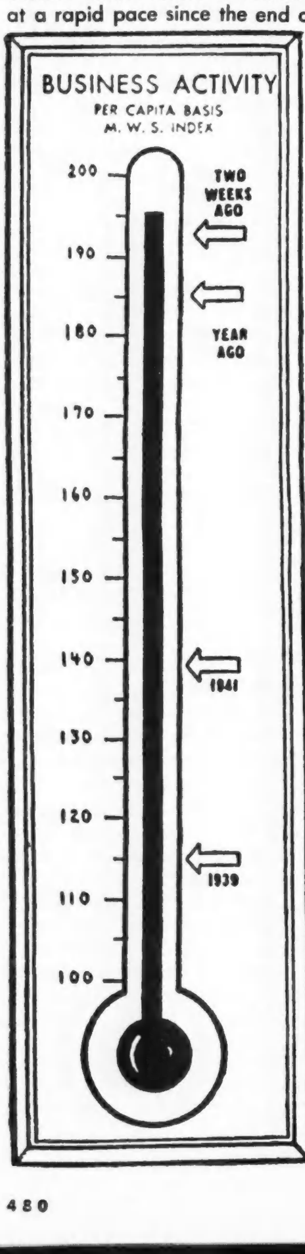
		1952	1951
American Distilling Co.	Year Sept. 30	$2.81	$5.22
Murray Corp. of Amer.	Nov. 30 Quar.	.68	1.18
Schenley Industries	Nov. 30 Quar.	.91	1.32
Young (L.A.) Spring & Wire	Oct. 31 Quar.	.26	.91
Northern Natural Gas	9 mos. Sept. 30	.86	1.13
Smith (A.O.) Corp.	Oct. 31 Quar.	.61	1.41
Byers (A.M.) Co.	Year Sept. 30	2.38	5.34
Nash-Kelvinator Corp.	Year Sept. 30	2.90	3.74
Columbia Pictures Corp.	13 weeks Sept. 27	.09	.14
Heinz (H.J.) Co.	6 mos. Oct. 29	1.63	1.90



What's Ahead for Business?

By E. K. A.

The outstanding single business indicator, the Federal Reserve Board index of industrial production, has been rising at a rapid pace since the end of the steel strike last Summer and appears certain — on the basis of orders in hand — to rise further during the coming months. Amidst all the uncertainty that prevails over the general business situation, it is comforting to know that the old reliable indicator still is climbing. At the present time, the FRB index stands at about 235 (average 1935-39 equals 100) as against 221 in January, 1952.



The present rate is the highest for peace time in history. If the rate of gain in recent months is maintained, which is not altogether certain of course, the index may approach within a few months the all-time high of 247 recorded in October-November, 1943. Some of the rise since last Summer reflects filling of pipeline and inventories depleted during the steel strike last Summer and may not be repetitive. Stepped-up military goods output has been important but not so important as generally believed. Civilian goods production, with consumers' durable goods leading, has accounted for much of the rise in the general production index. But, the role being played by nondurables cannot be ignored.

Automobile production recently has been bettering year ago schedules by more than 30 percent. Production of major household appliances — such as cooking stoves, washing machines, refrigerators, television, etc. — is up 30 to 35 percent. In the case of television receivers, recent output has been double a year ago. Furniture production has gained 20 percent. Thus far, despite the sharp gains in output, no particular congestion has been reported in distribution channels although this may develop.

The first quarter of the year, the time between Christmas and the Ides of March, invariably is a slow period for retail sales, and hence any reports that may be heard of slower business and price reductions to maintain retail volume will not necessarily be conclusive evidence of a true slowdown in consumer demand. Nevertheless, it is a very real problem—and industry generally is well aware of it—whether the present very high levels of output can be fully absorbed, at least without resort to reduction of selling prices. With costs still rising in most instances, lowering of selling prices to prevent prospective customers from backing away inevitably means contraction of profits. Hence, this matter of production volume, sales volume, and prices is of maximum importance to investors.

Automobile manufacturers, recognizing the fact that competition for sales is increasing now that the availability of more materials enables high level car output, have reduced prices on a number of their 1953 models. Although the reductions are not great, they are significant in view of the fact that the trend has been in the opposite direction for several years and automobile manufacturers' costs still are rising. This industry, which falls in something of a luxury category, often has proved sensitive to changing conditions before they became apparent generally.

The upward pace of nondurable goods production recently has been slowed by uncertainty generated by acute weakness in prices of a number of the raw materials used in production. Buyers naturally have pressed for price reductions in the finished products although manufacturers have pointed out that, under present conditions of high labor and overhead costs, fluctuations in the raw materials used in the process of manufacture are much less important determinants of total costs than was the case a number of years back. It is conceivable that the rise in production of nondurable goods, under way since early last Spring, may grind to a halt in the near future as a result of price problems although no particular contraction of production, other than seasonal, appears likely in view of the high rate of retail sales.

There is nothing on the horizon, looking ahead as far as the early Summer, to suggest that the present rate and probably a slightly higher rate of civilian goods output cannot be moved into distribution provided producers do not adopt too rigid an attitude towards selling prices. With profit margins for most industries where they are, there is considerable elasticity in selling prices although any reductions represent some sacrifice of profits.

The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—President Truman has presented Congress with the outgoing Administration's ideas on government spending for the year ending June 30, 1954. The President called for expenditure of $78.6 billion in the next fiscal year and estimated receipts at $68.7 billion for a prospective deficit of $9.9 billion. However, this schedule of government spending is going to be the subject of an intensive drive aiming at downward revision, as the Republican Congress gets to work to redeem its economy pledges. In fact, Senator Taft has reiterated the stand he had previously taken that Federal spending should be cut back to $70 billion. One point to be remembered at this stage is that criticism of the budget has been rife every January but the legislators in previous years have had difficulty in finding unessential areas where they could wield the pruning knife with much effect.

The rise in bank credit that got under way with the outbreak of the Korean war, continued apace during 1952. In the first eleven months of last year total loans and investments of all banks rose by $10.2 billion and some further increase is expected for December. The rise in credit in 1952 will thus have exceeded the 1951 increase which amounted to $9.6 billion. The credit expansion was expedited by Federal Reserve purchases of government securities; purchases which were caused in part by the Central Bank's desire to provide a satisfactory market for the Treasury's deficit financing. Commercial banks also borrowed more freely—to the extent that they owed the Federal $1,382 million on December 23. This borrowing was encouraged by the low discount rate of 1¾% which enabled banks to re-invest these funds at a profit.

Money rates during 1952 more nearly reflected supply and demand conditions than in previous years and yields were slightly higher in most cases. Long-term Treasury bonds declined moderately during the year with a consequent rise in yields. For example, the yield on the bank-ineligible 2½s of 1967-72 rose from 2.74% in December 1951 to 2.79% last month. Municipal bond prices suffered greater weakness and the Bond Buyer's Index of tax-exempt yields which stood at 2.10% at the end of 1951 was up to 2.38% in December of last year. There were several reasons for last year's weakness in tax-exempts including the increased probability of tax reductions and the heavy flotations of this type of security in 1952 which surpassed all previous records with a total of $4.4 billion. This was $700 million above the previous high set in 1950.

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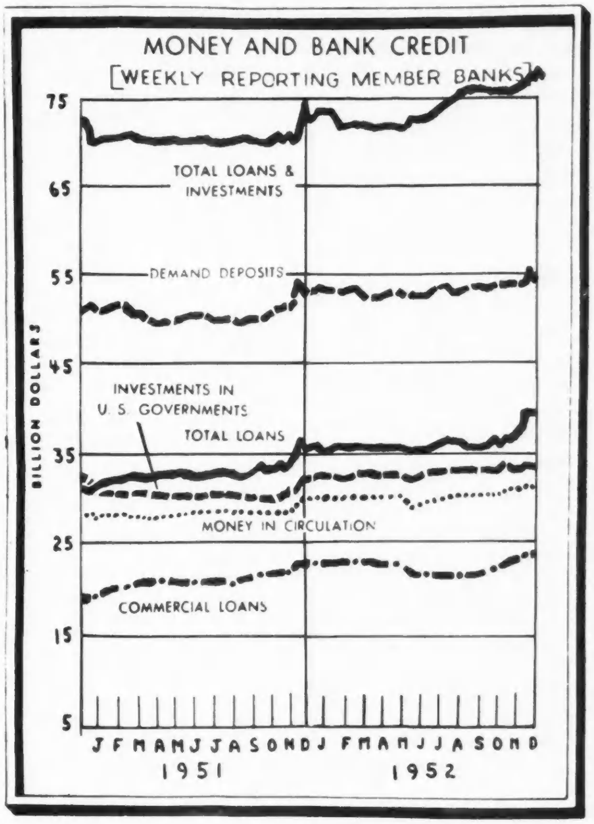

TRADE—Retailers started the new year auspiciously as total sales for the first week of 1953 topped year-ago figures by some 4% although they still did not match the scare-buying level of January 1951, Dun & Bradstreet reports. Apparel was in good demand and the traditional January promotions of household goods found a hearty response.

Department stores have also been doing better. Latest data—for the week ending January 3—registered a 5% gain over the corresponding week of 1952 and made the fifth week in a row which beat year-ago figures. The Saint Louis area made the best showing in the latest week while the New York district continued to lag and was 4% under a year ago, reflecting the move towards suburban shopping centers.

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INDUSTRY—Industrial production finished 1952 at the high of the year and the Federal Reserve Board estimates that its production index in December reached a new peacetime high of 234% of the 1935-1939 average. This compares with 233 in November and 216 in December, 1951.

The Business Survey Committee of the National Association of Purchasing Agents reports that output is leveling out at peak rates. Order backlogs dropped a bit last month but are still very substantial. Inventories appear to be in better balance than at any time since the war and manufacturers are continuing a policy of conservative buying.

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COMMODITIES—There has been a slight improvement in some wholesale prices in the three weeks ending January 6 and the Bureau of Labor Statistics Index of average primary prices has risen 0.4% during that period to a level of

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Dec.	4.4	3.6	3.3	1.55
Cumulative from mid-1940	Dec.	484.0	479.6	434.6	13.8
FEDERAL GROSS DEBT—$b	Jan. 7	267.3	267.1	259.1	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Dec. 31	54.6	54.7	53.3	26.1
Currency in Circulation	Jan. 7	30.2	30.4	28.8	10.7
BANK DEBITS					
New York City—$b	Dec. 31	14.2	16.8	14.9	4.26
93 Other Centers—$b	Dec. 31	17.1	19.1	18.0	7.60
PERSONAL INCOMES—$b (cd2)	Nov.	276.1	276.1	260.9	102
Salaries and Wages	Nov.	185	184	171	66
Proprietors' Incomes	Nov.	53	54	53	23
Interest and Dividends	Nov.	21	21	21	10
Transfer Payments	Nov.	13	13	12	3
(INCOME FROM AGRICULTURE)	Nov.	20	21	21	10
POPULATION—m (e) (cb)	Nov.	158.0	157.7	155.2	133.8
Non-Institutional, Age 14 & Over	Nov.	110.2	110.1	109.1	101.8
Civilian Labor Force	Nov.	63.6	63.1	63.2	55.6
unemployed	Nov.	1.4	1.3	1.8	3.8
Employed	Nov.	62.2	61.9	61.3	51.8
In Agriculture	Nov.	6.8	7.3	7.0	8.0
Non-Farm	Nov.	55.5	54.6	54.3	43.2
At Work	Nov.	60.5	59.9	59.5	43.8
Weekly Hours, non-farm	Nov.	42.4	42.5	41.7	42.0
Man-Hours Weekly—b	Nov.	2.57	2.48	2.48	1.82
EMPLOYEES, Non-Farm—m (lb)	Oct.	47.7	47.7	46.9	37.5
Government	Oct.	6.7	6.7	6.5	4.8
Factory	Oct.	13.3	13.2	13.0	11.7
Weekly Hours	Oct.	41.5	41.3	40.5	40.4
Hourly Wage (cents)	Oct.	170.6	169.7	161.5	77.3
Weekly Wage ($)	Oct.	70.80	70.09	65.41	21.33
PRICES—Wholesale (lb2)	Jan. 6	109.7	109.6	114.3	66.9
Retail (cd)	Oct.	210.7	211.1	209.0	116.2
COST OF LIVING (lb3)	Nov.	191.1	190.9	188.6	100.2
Food	Nov.	232.3	232.4	231.4	113.1
Clothing	Nov.	201.3	202.1	207.6	113.8
Rent	Nov.	143.9	143.0	138.9	107.8
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Nov.	13.9	14.1	13.2	4.7
Durable Goods	Nov.	4.7	4.8	4.4	1.1
Non-Durable Goods	Nov.	9.1	9.3	8.9	3.6
Dep't Store Sales (mrb)	Nov.	0.85	0.87	0.86	0.34
Retail Sales Credit, End Mo. (rb2)	Nov.	13.2	12.7	11.6	5.5
MANUFACTURERS'					
New Orders—$b (cd) Total	Oct.	25.1	24.5	24.3	14.6
Durable Goods	Oct.	12.6	12.2	12.6	7.1
Non-Durable Goods	Oct.	12.5	12.2	11.7	7.5
Shipments—$b (cd)—Total**	Oct.	24.5	23.7	22.7	8.3
Durable Goods	Oct.	11.9	11.5	10.8	4.1
Non-Durable Goods	Oct.	12.6	12.2	12.0	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Nov.	74.7	74.2	73.9	28.6
Manufacturers'	Nov.	43.5	43.4	42.7	16.4
Wholesalers'	Nov.	10.2	10.1	10.4	4.1
Retailers'	Nov.	21.0	21.0	20.8	8.1
Dept. Store Stocks (mrb)	Nov.	2.4	2.4	2.3	1.1
BUSINESS ACTIVITY—1—pc	Jan. 3	196.4	194.2	177.5	141.8
(M. W. S.)—1—np	Jan. 3	237.4	234.7	211.3	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 481)

109.7% of the 1947-1949 average. The upturn was led by farm products which rose 1.7% since December 16. Processed foods gained 0.9% during the period with meat prices especially strong.

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Businessmen plan to spend a near-record $26.27 billion on **NEW PLANT AND EQUIPMENT** in 1953, a recent joint survey by the Commerce Department and the Securities & Exchange Commission has revealed. This total would mean a drop of only 2% from the record $26.86 billion spent for this purpose last year and is close to the $26.33 outlay of 1951. According to present plans, manufacturers' expenditures for fixed capital in 1953 will amount to $11.9 billion or 4% below 1952. A number of industries including rubber, petroleum, mining and machinery are planning to spend more this year than last for plant and equipment expansion and this will offset to a great extent the cuts planned by iron and steel, non-ferrous metals, textile mill and transportation equipment producers. In the non-manufacturing field, public utilities and commercial services are planning moderate increases in their capital spending while railroads expect to cut their outlays by 20%. The high level of planned capital expansion for 1953 is heartening although the survey did indicate that businessmen expect to reduce plant and equipment expenditures as the year progresses.

* * *

The value of United States **FOREIGN TRADE** in 1952 remained close to 1951 levels with larger military shipments counterbalancing a decline in commercial exports. Total merchandise exports from this country in 1952 approximated $14.8 billion while imports were slightly more than $10.6 billion. In 1951 exports came to $15.0 billion and imports to $11.0 billion. Military aid shipments last year were worth about $1.75 billion compared with $1.07 billion in 1951. Western Europe was the largest export outlet for the United States last year, taking about one-third of the total and Latin America was next, accounting for about one-fourth. Latin America was the chief source of our imports in 1952 with Canada in second place.

* * *

With 45,464,000 households in existence in the United States on April 1, 1952, the formation of **NEW HOUSEHOLDS** is slowing down, according to Census Bureau studies. The extra-ordinary number of war-time and post-war marriages increased the number of households being formed each year to a record average of 1,485,000 in

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1 np (rb)**	Nov.	233	229	219	174
Mining	Nov.	175	164	170	133
Durable Goods Mfr.	Nov.	300	298	277	220
Non-Durable Goods Mfr.	Nov.	197	195	188	151
CARLOADINGS—t—Total	Jan. 3	563	521	613	833
Misc. Freight	Jan. 3	300	275	308	379
Mdse. L. C. L.	Jan. 3	52	54	55	156
Grain	Jan. 3	36	32	41	43
ELEC. POWER Output (Kw.H.) m	Jan. 3	7,713	7,550	7,149	3,267
SOFT COAL, Prod. (st) m	Jan. 3	7.7	6.3	7.4	10.8
Cumulative from Jan. 1	Dec. 31	465.0	462.0	533.6	44.6
Stocks, End Mo.	Oct.	78.0	83.3	78.0	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Jan. 3	6.5	6.6	6.2	4.1
Gasoline Stocks	Jan. 3	137	134	135	86
Fuel Oil Stocks	Jan. 3	49	49	43	94
Heating Oil Stocks	Jan. 3	100	104	85	55
LUMBER, Prod.—(bd. ft.) m	Jan. 3	373	408	318	632
Stocks, End Mo. (bd. ft.) b	Nov.	8.5	8.5	8.0	12.6
STEEL INGOT PROD. (st) m	Nov.	9.4	9.8	8.8	7.0
Cumulative from Jan. 1	Nov.	83.4	74.0	96.6	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Jan. 8	324	185	267	94
Cumulative from Jan. 1	Jan. 8	509	185	426	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Dec. 20	178	217	153	165
Cigarettes, Domestic Sales—b	Nov.	30	37	34	17
Do., Cigars—m	Nov.	498	625	554	543
Do., Manufactured Tobacco (lbs.)m	Nov.	15	21	24	28

PRESENT POSITION AND OUTLOOK

1947, 1948 and 1949. This figure dropped to 1,011,000 in the year ending April 1951 and 900,000 the following year. The outlook is for the rate of household formation to drop even further to an average of 697,000 a year through 1955 and only 624,000 a year through 1960. The reason given for the decline was the slump in marriages resulting from the low birth rate of the Nineteen Thirties. The size of the average household in 1960 is not expected to vary much from today's average of 3.39 persons. In 1940 the average was 3.67 and in 1890 it was 4.93 persons.

* * *

A record volume of $32.3 billion was spent for **NEW CONSTRUCTION** in 1952, the Commerce Department has reported. New private construction put in place was valued at $21.8 billion, slightly more than in 1951, while public expenditures for new construction reached $10.5 billion, up $1.3 billion from the year before. While private construction expenditures for 1952 remained virtually unchanged from 1951 there were internal shifts in this segment of the industry. Important declines were noted in expenditures for stores, restaurants and garages but these declines were offset by substantial increases in public utility and industrial building. Private residential building accounted for about one-half of all private construction.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, instalment sale credit and charge accounts. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

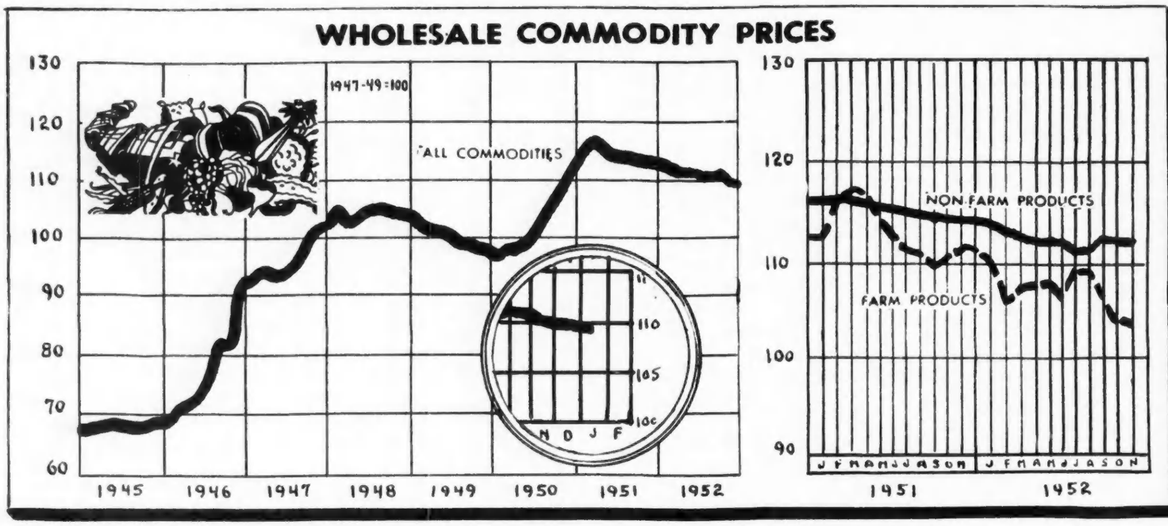
No. of Issues (1925 Cl.—100)	1952-'53 Range High	Low	1953 Jan. 2	1953 Jan. 9
300 COMBINED AVERAGE	208.6	190.7	208.6	208.0
4 Agricultural Implements	295.8	243.6	255.6	255.6
10 Aircraft ('27 Cl.—100)	361.1	278.2	361.1	358.8
7 Air Lines ('34 Cl.—100)	777.8	601.1	672.3	680.9
7 Amusement	102.7	77.1	87.7	87.7
10 Automobile Accessories	268.5	232.0	265.5	268.5A
10 Automobiles	47.4	40.2	47.4	47.0
3 Baking ('26 Cl.—100)	24.0	20.8	23.8	24.0
3 Business Machines	398.3	358.5	374.4	370.1
2 Bus Lines ('26 Cl.—100)	182.2	141.6	170.2	182.1
6 Chemicals	418.0	356.4	396.9	392.9
3 Coal Mining	16.0	12.9	13.9	14.9
4 Communications	68.3	61.7	63.6	64.9
9 Construction	72.3	64.8	68.9	68.9
7 Containers	495.1	442.8	495.1	490.5
9 Copper & Brass	169.5	138.8	161.4	161.3
2 Dairy Products	93.2	83.2	93.2R	93.2
5 Department Stores	66.0	58.8	62.0	62.0
5 Drugs & Toilet Articles	233.1	205.9	224.0	221.8
2 Finance Companies	413.2	308.1	410.0	402.8
7 Food Brands	196.6	171.5	192.7	196.6A
2 Food Stores	118.8	97.4	114.7	115.3
3 Furnishings	76.2	59.3	75.4	76.2A
4 Gold Mining	736.4	629.4	692.3	727.0

(Nov. 14, 1936, Cl.—100)	High	Low	1953 Jan. 2	1953 Jan. 9
100 HIGH PRICED STOCKS	133.3	119.2	133.3	130.7
100 LOW PRICED STOCKS	246.7	225.2	243.5	246.7A
4 Investment Trusts	112.7	97.9	112.7	110.8
3 Liquor '27 Cl.—100)	1146.9	843.0	955.4	949.4
11 Machinery	231.2	197.9	231.2	226.8
3 Mail Order	130.6	113.8	121.5	121.4
3 Meat Packing	100.2	75.7	93.2	92.8
10 Metals, Miscellaneous	307.4	237.8	269.7	271.4
4 Paper	447.8	395.3	447.8	434.8
24 Petroleum	485.1	420.1	463.4	445.3
22 Public Utilities	188.8	162.5	188.8R	188.8
9 Radio & TV ('27 Cl.—100)	37.0	31.1	36.2R	36.2
8 Railroad Equipment	64.3	56.1	59.9	61.7
20 Railroads	52.2	41.3	52.2	51.7
3 Realty	48.6	38.2	48.6R	48.6
3 Shipbuilding	234.2	181.0	230.5	228.7
3 Soft Drinks	348.7	301.2	348.7	342.4
11 Steel & Iron	154.8	130.8	148.8	147.1
3 Sugar	73.1	58.9	59.6	59.8
2 Sulphur	616.3	530.4	601.5	590.5
5 Textiles	197.4	148.5	162.2	157.8
3 Tires & Rubber	87.3	66.9	87.3	86.3
6 Tobacco	92.3	78.6	91.5	90.8
2 Variety Stores	319.6	294.8	307.2	304.1
16 Unclassified ('49 Cl.—100)	119.7	112.7	119.7	119.7

A—New High for 1952-'53 R—Revised

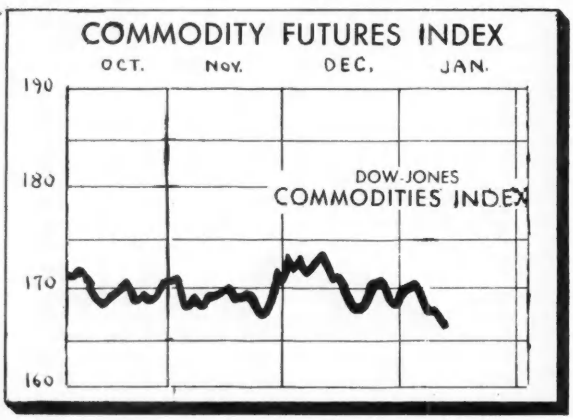
Trend of Commodities

Commodity futures succumbed to heavy selling in the two weeks ending January 12 with the price weakness attributed to various causes including seasonally slow demand and large crop carry-overs. The Dow-Jones Commodity Futures Index lost 5 points during the period to close at 165.37, the lowest level since July 10, 1950. May wheat closed at 232¾ on January 12, down 4 cents from the level of a fortnight ago and a new low for the life of the option. The visible supply of the bread grain was reported at 231 million bushels as compared with 170 bushels a year earlier. Prices are now well below the government loan level which is the important price supporting factor at the moment. Farmers have until January 31 to take advantage of the loan and a rush to place wheat in the support program could result in subsequent tightness of free supplies of the commodity. May corn lost 3 cents in the two weeks ending January 12 to close at 163½. Sentiment was disturbed by the outlook for lower consumption as the result of a smaller pig crop and by the threat of renewed sales by the Commodity Credit Corporation which acquired this corn from previous support programs. July cotton lost 130 points in the period under review to close at 33.16 on January 12. The announcement that Brazil would market its holdings of one million bales of cotton at current price levels dampened bullish sentiment. Exports of cotton from this country during the current season may be under 3 million bales which compares with 5.5 million bales last season. If domestic consumption approximates 9.5 million bales the carry-over on July 31 may be twice as high as the 2.8 million bales on hand a year earlier. It is expected that a smaller acreage will be planted to cotton in 1953 but this may be offset by higher yields.



U. S. DEPARTMENT OF LABOR INDEX OF 22 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

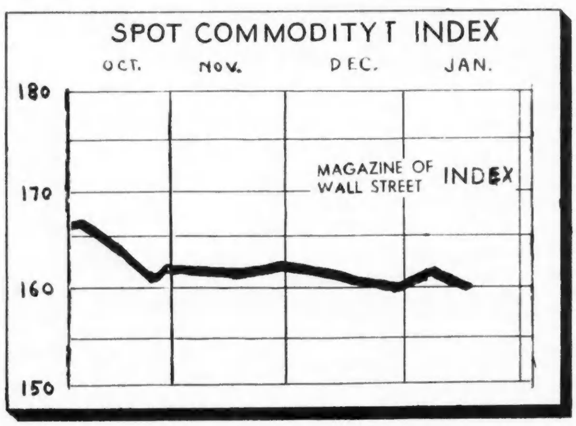
	Date Jan. 12	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	90.1	90.2	93.3	107.8	53.0
9 Foodstuffs	86.6	85.7	90.2	95.4	46.1
3 Raw Industrial	92.5	93.3	95.4	117.1	58.3
5 Metals	107.2	108.7	108.9	124.1	54.6
4 Textiles & Fibers	90.5	90.8	98.2	116.9	56.3
4 Fats & Oils	58.8	57.2	60.3	73.5	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1952	1951	1950	1945	1941	1939	1938	1937
High	181.2	214.5	204.7	95.8	74.3	78.3	65.8	93.8
Low	165.4	174.8	134.2	83.6	58.7	61.6	57.5	64.7



Average 1924-26 equals 100

	1952	1951	1950	1945	1941	1939	1938	1937
High	192.5	215.4	202.8	111.7	88.9	67.9	57.7	86.6
Low	160.0	176.4	140.8	98.6	58.2	48.9	47.3	54.6

Keeping Abreast of Industrial and Company News

By combining stable inorganic silicon metal, derived from sand, with flexible organic materials, the vast silicone chemical plant of **GENERAL ELECTRIC CO.**, at Waterford, N.Y., is able to turn out scores of seemingly dissimilar products. These include silicone rubber gums and compounds, fluids for automotive and furniture polishes and mold releases, resins for electrical insulation and paint, anti-foams for liquid systems, and water repellents for such widely differing materials as masonry and textiles. Facilities at the plant have been expanded recently, but the company believes additional capacity will be needed to meet an expected ten-fold increase in total industry demand for all silicone products by 1960.

The flowers that bloom in the Spring this year will have competition for attraction from **REPUBLIC STEEL CORP.'s** new line of steel kitchens to be marketed by a new nation-wide sales organization with distributors and dealers located throughout the U. S. Products making up the line will be manufactured by the company's Berger Manufacturing Division at Canton, Ohio, occupying more than a million square feet of floor space and said to be one of the largest metal fabricating operations in the nation. Sheet and strip steel will come from Republic's own, high speed, continuous mills.

According to present plans, **TRANS WORLD AIRLINES** will inaugurate direct flights from New York to Colombo, Ceylon on February 3, subject to approval of a revised service pattern filed with the CAB. On a recent TWA round-the-world survey of new routes, it was found that there was an eager demand for flights to Colombo. With this service in operation, TWA will be the only United States flag carrier serving the independent dominion of Ceylon, rich in tea and rubber and a fabled resort island of the Middle and Far East.

By May 1, next, **UNITED AIRLINES** plans to have established DC-6 coach-type service on its Hawaiian division between California and Honolulu. Initially, flights will be on a tri-weekly schedule between San Francisco, Los Angeles and Honolulu, with addition of similar DC-6 tourist schedules to the company's transcontinental route later on. Equipment will consist of United's standard 4-engined **DOUGLAS DC-6** planes converted to coach services, utilizing two-abreast seating for approximately 70 passengers.

The Detroit Ordnance District recently announced the award to **CHRYSLER CORP.**, of a multimillion dollar contract covering research and development on an Army Ordnance guided missle. The scope of the project can be gauged, to some extent, by the considerable number of engineers and technicians of special caliber and accomplishment that will be needed, specialists in most engineering and technical categories, including not only mechanical and electrical, but electronic, chemical, metallurgical, physical, structures and administrative.

By taking up its options to buy a 900-acre site at Mandan, N. Dak., **STANDARD OIL CO. (INDIANA)** advanced a step further toward its projected new Williston Basin refinery. Preparation of the site for construction work will probably start in May of this year and it is hoped that much of the refining equipment will be in place sometime in 1954. The new plant which will be partially bordered on the east by the **NORTHERN PACIFIC RAILROAD**, will begin operating with a capacity of 30,000 barrels a day.

Acquisition of the U. S. Machine Corp., accomplished early this month by **STEWART-WARNER CORP.**, will, it is believed, augment the latter's line of heating equipment with a comprehensive group of coal, oil and gas burning equipment for domestic, commercial and industrial requirements. Purchase of U. S. Machine, which now becomes Division Six of Stewart-Warner was paid for by 60,000 shares of Stewart-Warner's capital stock.

What may turn out to be a new era of greater versatility in automobile styling was initiated a few weeks ago by the Buick Division of **GENERAL MOTORS CORP.**, introducting a revolutionary new sports convertible with a fiberglass body. The car, mounted on a 114-inch wheelbase and powered by Buick's 188-hp. V-8 engine, was designed and built to test the possibility of using fiberglass in automobile bodies. Since fiberglass is molded instead of stamped the necessity of expensive stamping dies is eliminated, an important factor that may lead to greater versatility of styling in sports cars which are produced in low volume.

B. F. GOODRICH CO., it is understood, is readying an extensive sales promotion campaign for a new vinyl plastic floor tile that is said to actually improve with wear. The new product, designated BFG Koroseal floor tile, comes in eight colors and in a size to conform with home construction requirements. Promotion copy states the tile requires no waxing, is moisture-resistant, fireproof and unaffected by alkali. The company believes this product supplies the answer to the problem of flooring over concrete, particularly in basementless homes.

CONTINENTAL CAN CO.'s announcement some months ago of its withdrawal from the plastics business has been modified by the company's decision to continue production of Conolite—a line of laminated plastics—through Bond Crown & Cork Co., a wholly-owned subsidiary. It is said that the manufacture of both decorative and industrial laminates has been profitable.

1953 Outlook for Bank Shares

(*Continued from page 477*)

in the case of many banks relative to their greatly expanded deposits. Moreover, last year's earnings helped numerous banks to attract new money from shareholders through the sale of additional capital stock.

A continued strengthening of capital structures this year – through retained earnings, stock dividends, and new shares – is expected in view of the repeated urgings by the national and state bank regulatory authorities. Reflecting all of these progressive factors, the quotations on leading bank stocks closed 1952 at the year's high, with a gain of about 11% from the close of 1951–most of which was realized since the election.

Some Interesting Situations

Of the eighteen U.S. commercial banks reporting resources over $1 billion at the year-end, nine are located in New York City and all such increased their resources last year except Bankers Trust Company. Of the nine located outside of New York, the largest dollar increase ($671 million, to a total of $8,202 million) was registered by the Bank of America; there were increases by the other seven top banks located in San Francisco, Los Angeles, Boston, Chicago, Cleveland, and Detroit, but a slight decrease by the Mellon National Bank & Trust Company of Pittsburgh. The accompanying table gives statistical data on several representative bank stocks, though not all mentioned above.

Bankers Trust of New York, despite its slight decrease last year in deposits and total resources, had a jump of one-third, from $2.96 to $3.97, in its net operating earnings per share. Dividend is $2.20 annually. Loans and discounts increased by $86 million to $1,012 million, and U.S. securities by $91 million to $503 million. The price of its stock moved up from 47½ at the end of 1951 to 53½ at the end of 1952. Bankers Trust is regarded as an "investment type" stock, rather than the type that might still be good quality but have wider price movement. Formerly it was considered a "bankers' bank", but in recent years it has expanded into "retail banking" through the absorption of a number of small and medium-size banks that have been made branches.

Manufacturers Trust Company achieved the largest percentage gain (6.6%) in total resources of the nine top New York banks. Its operating earnings after taxes increased from $4.96 to $5.31 per share. Holdings of U.S. securities were liquidated by $47 million to $805 million, while loans and discounts were expanded by $58 million to $875 million. Of its increase in loan interest, 42% was due to the larger volume of loans and 58% to higher rates. Manufacturers Trust has 109 branches located throughout New York City—more than any other bank—and for many years has been outstanding for its aggressive policy of new business development. Dividend is $2.08 annually, and the stock last year moved up from 60½ to 66.

National City Bank had the largest dollar increase ($207 million) in total resources of any New York bank. Its security holdings were reduced by $164 million to $1,958 million, but its loans and discounts expanded by $181 million to $2,270 million. Average interest rate on loans rose from 3.18% in 1951 to 3.39% in 1952, while the rate on U.S. securities rose from 1.56% to 1.70%. National City was a pioneer in providing personal loan facilities and reported 589,000 such borrowers at the year-end; it carried thrift accounts for $434,000 depositors. In addition to its domestic operations, the bank has 57 branches overseas, some of which have been established more than fifty years. Net operating earnings, including the affiliated City Bank Farmers Trust Company, increased from $3.51 to $3.98, and the stock moved up last year from 47½ to 54. The annual dividend is $2.00, in addition to which a stock dividend of one new share for each twenty-four now held is to be paid early this year.

The three issues mentioned are suitable for portfolio holdings and should be attractive to the conservative investors, especially to those in the higher income brackets and who, accordingly, can afford to accept a smaller cash income from dividends in view of their tax liability.

The Blight on the Sugar Shares

(*Continued from page* 467)

sions, raising the 1952 figure to 7.9 million tons. Whether the 1953 quota is too low or not will be determined by actual consumption and the amount of "invisible supply" which cannot be calculated.

That there should be any necessity to give the industry at home price protection speaks volumes as to prevailing conditions. Meanwhile, producers continue their study of ways and means of holding world sugar prices up to a level that will satisfy sugar producers.

Under the Sugar Act of 1948, amended, the Secretary of Agriculture is authorized to fix quotas, including mainland cane and beet sugar, for the purpose of creating prices that are at once fair to consumers and giving a reasonable return to producers. Such policy works in favor of Cuba and other favorites under the Sugar Act so far as quota sales in this country are concerned. To sell the balance of their output, it is necessary to go into the world market. There, current quotations are spotty.

Outlook for 1953 Earnings

A question of considerable importance is how much Cuban, Puerto Rican and other sugars will be taken in the world market this year. It has been estimated that Cuba, in late 1952, had sold less than 100,000 tons of its 1953 crop in markets other than the U. S., compared with more than 500,000 tons of its 1952 crop sold around the same time in 1951.

Try as one will, it is not easy to find a base for enthusiasm over the outlook for sugar producers in the current year. In any event, there does not appear to be any tangible reason to warrant the belief that 1953 earnings are going to be any better or as good as they were in 1952. This applies to the Cuban, Dominican Republic and Puerto Rican growers alike. Under favorable circumstances, that is, a world price of four cents or better under Contract No. 4, and six cents under

(*Please turn to page* 488)

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Nash-Kelvinator Corporation

"Please report on recent progress made by Nash-Kelvinator Corporation and give capital expenditures during 1952 and other highlights of the year."
M. O., Saginaw, Michigan

Progress by Nash-Kelvinator Corporation in 1952 in broadening and improving its lines of cars and electrical appliances, and further moves currently being planned, should improve the outlook for 1953 for the company.

Capital expenditures of $30,847,580 during the 1952 year included $7,429,304 for military purposes, $16,004,358 for tooling in connection with new Nash and Kelvinator models, $4,371,646 for other facilities needed for normal civilian business, and $2,999,990 for purchase of a controlling interest in the Altofer Brothers Company.

Sales in the 1952 fiscal year which ended September 30 totalled $358,400,502 compared with $401,148,293 in 1951. Net earnings were $12,603,701, or $2.90 per share against $16,220,173, or $3.73 per share in the previous year. Highlights of the past year included placing manufacturing operations on a dual civilian-military basis and moves toward broadening the company's lines of both cars and electric appliances. Nash will introduce this year a new hardtop model of the Nash-Healey sports car, and late in 1953 or early in 1954 an entirely new car that will be smaller and weigh considerably less than conventional cars, and give up to 40 miles per gallon.

Supplier strikes and limitation on output restricted Nash production to 137,587 units in the 1952 fiscal year compared with 177,613 in the preceding year. This was a decline of 22.5% against an industry decline of 31% for the same period.

The purchase of a controlling interest in the Altofer Brothers Company last September, and of the stove division of the Kalamazoo Stove & Furnace Company earlier in the year, will broaden the list of Kelvinator products in the direction of a full line of major appliances. Altofer will continue to market ABC laundry products, as in the past, but will also produce a line of automatic washing machines, clothes dryers and ironers carrying the Kelvinator name, for distribution through the Kelvinator dealer organization.

An increase of $16,681,348 in the net value of property, plant and equipment to $59,121,360 at September 30, 1952 was reported. Stockholders equity in the business was increased to $123,644,993, equal to a book value of $28.48 a share, compared with $119,755,828 or $27.58 a share, at the close of the previous year.

Dividends at 50 cents quarterly were paid in 1952 and the same rate was paid in 1951.

Warner Brothers Pictures Inc.

"I have heard that Warner Brothers Pictures suffered from two fires in 1952 and have wondered what the insurance settlement amounted to. Please also give me the operating results of the company for the past fiscal year."
W. D., Charleston, S. C.

Warner Brothers Pictures Inc. and subsidiary companies for the year ended August 31, 1952 showed a net profit of $7,229,000 after provision of $7,700,000 for Federal income taxes and after a provision of $550,000 for contingent liabilities.

The net profit for the year ending August 31, 1951 amounted to $9,427,000 after provision of $9,100,000 for Federal income taxes and after a provision of $700,000 for contingent liabilities.

Included in the operating profit for the year ended August 31, 1952 is a profit of $878,000 from sale of capital assets, before provision for Federal income taxes thereon, which compares with a corresponding profit of $1,189,000 for the previous year.

The net profit for the year ended August 31, 1952 is equivalent to $1.46 per share on the 4,950,600 shares of common stock outstanding on August 31, 1952, after deducting shares held in Treasury. The net profit for the previous year was equivalent to $1.67 per share, on the 5,619,785 shares of common stock then outstanding.

Film rentals, theatre admissions, sales, etc. after eliminating intercompany transactions, for the year ended August 31, 1952 amounted to $112,422,000, as compared with $116,909,000 for the previous year.

The loss and damage claims resulting from the two fires at the studio in Burbank, California were settled with the insurance company subsequent to August 31, 1952 for $4,515,690. Because the insurance carried was based on the replacement cost rather than on the depreciated book value of the property, the insur-

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The Blight on the Sugar Shares

(*Continued from page* 486)

Contract No. 6, for raw sugar, this year's earnings could come close to paralleling 1951-52 results. This, however, is pure assumption.

Right now, the world price on raw sugar futures ranges between 3.60 and 3.62 cents. Prices under Contract No. 6, the U. S. price, on futures into next September range between 5.54 and 5.91 cents. Uncertainties, therefore, mark the outlook for the growers. This is reflected in current market prices for the sugar shares that now hover at or close to their 1951-52 price levels. That there is apprehension as to the continuance of dividends at rates established in 1952 is evident by the currently high yields on practically all of the Cuban, Dominican issues in the accompanying table. The exceptions are Guantanamo Sugar and Vertientes- Camaguey but this is because they held distributions from earnings down to a modest level last year.

The Puerto Rican sugars are not immune to the general situation. These issues also reflect marketwise the doubts prevailing as to the 1953 outlook. Although it is conceivable that Fajardo Sugar might reduce its dividend from the 1952 rate of $2.50 a share, both Central Aguirre and South Puerto Rico Sugar should be able to go along on their 1952 bases.

Domestic beet sugar refiners are confronted with a reduced beet acreage. The Crop Reporting Board forecasts the 1952-53 domestic beet sugar crop at 1,532,000 short tons, raw value. This is 20,000 tons under last season's crop. Despite greater mechanization in operations, beet sugar refiners are contending with rising costs at a time when the refined sugar price structure has become highly complex and developing signs of weakness. Apparently, beet sugar refiners have not been too sanguine as to the immediate future of their markets, urging the Agriculture Secretary to set 1953 quotas at a lower level than those announced. As matters now stand, the outlook is for lower earnings in the 1953-54 fiscal year for American Crystal Sugar, Great Western Sugar and Holly Sugar. While all three issues lack speculative appeal, dividends appear to be secured and the shares might be held for their good yields.

Of the two major domestic cane sugar refiners, National Sugar, for the calendar year 1952, is expected to show earnings at a slightly better rate than the $3.36 a share reported for the year previous. On the other hand, American Sugar Refining, reporting a 4.7% drop in sales in the first half of 1952, is not expected to match 1952 results with the $9.74 a share earned in 1951. Both companies are in a good position to maintain 1953 sales at a satisfactory level and dividends at current rates should be maintained without difficulty. Prevailing market prices for the shares of the two companies reflect the general uncertainty prevailing over the entire sugar industry, but current holdings should be retained.

A glance at the table will show that practically all the sugar issues are selling at their lows of the past two years. This would indicate that they have gone rather far in discounting the present and prospective poor operating conditions; and, more important from the stockholder's viewpoint, have already reflected to a considerable extent the probability that dividends will be cut, at least in the case of the higher-cost producers. This suggests that indiscriminate selling at this stage may not prove productive.

Aside from the refiners, the strongest issues in the group are Cuban American, West Indies, Verientes, South Porto Rico and Holly.

Investment Audit of Standard Oil of New Jersey

(*Continued from page* 474)

of 547,000 barrels and at the beginning of 1952 production had climbed to 897,000 barrels daily. Detailed production figures for 1952 are expected to show that Aramco held its leadership attained in 1951, when it became the world's largest crude oil producer. Jersey Standard's proportionate share of 1951 production was 210,000 barrels daily.

Another Middle Eastern unit in which Jersey has a 12 per cent interest—Iraq Petroleum—also felt the impact of Iran's shutdown. Output was enlarged in 1951 and continued to expand in the year just ended. Settlement of negotiations for modifying concession terms with the Iraq government enabled the company to accelerate operations.

European operations, where Jersey Standard has extensive refining and marketing interests, have continued to improve in reflecting a gradual recovery in economic conditions. The Esso company operating in Great Britain had the benefit of the first full year's operations of a large new refinery opened in September 1951, which contributed importantly to progress in sales. Refining capacity has been enlarged on the Continent. All in all, Jersey Standard is a major marketer in England as well as in the principal countries of Western Europe.

Space does not permit a detailed description of Jersey Standard's worldwide organization, but the brief comments presented here afford an indication of its wide scope. The fact that Humble Oil's operations represent less than half of the entire company's volume—and Humble is by far the largest producer in the United States—suggests the point being stressed here. The principal Latin American unit, Creole Petroleum, is regarded as the largest producer in South America, while Aramco—in which Jersey's proportionate interest is 30 per cent —is the world's greatest producer. Altogether the Jersey affiliate companies probably account for 10 to 12 per cent of petroleum products sold in this country and a slightly higher ratio of worldwide oil business.

Development in Petrochemicals

Although Jersey Standard has concentrated on production, refining and marketing of petroleum, it has not neglected petrochemicals and other profitable research developments. Chemicals are less important in the overall picture than in the case of some smaller competitors in this country. Expenditures on research are being expanded, however, and management is turning more vigorously

(*Please turn to page* 492)

We always take stock in her opinions!

WE LEARNED a long, long time ago that the American housewife has very definite opinions on what she wants in a soap, a shampoo, a shortening or any of the other products we make for her.

Naturally, we always cater to those opinions. But we like to go even farther. We like to *anticipate* her wishes—and to surprise and delight her with new and better products before she herself is aware that she wants them.

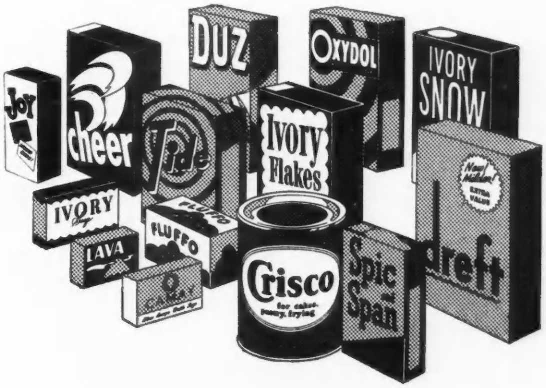
Since the advent of synthetic detergents, for instance, we've given the nation's housewives Tide, Cheer, Dreft, Joy, Prell, Drene and Shasta. Each was an instant success. Yet we have improved all of these products several times since—simply because Procter & Gamble's policy has always been "*Progress Through Constantly Trying to Please.*"

Because the more we try to please the women who use our products—and the more widespread their use becomes—the more it means to the Company and to its thousands of employees.

It helps the Company continue the steady growth it has enjoyed for well over a century. And this constant growth, in turn, has enabled P&G to become a leader in providing employee benefits such as Guaranteed Employment and Pension and Profit-Sharing Plans by which our employees may share directly in the company's continuing success.

Procter & Gamble

Progress Through
Constantly Trying to Please



This is National Steel

Seven great divisions welded into one

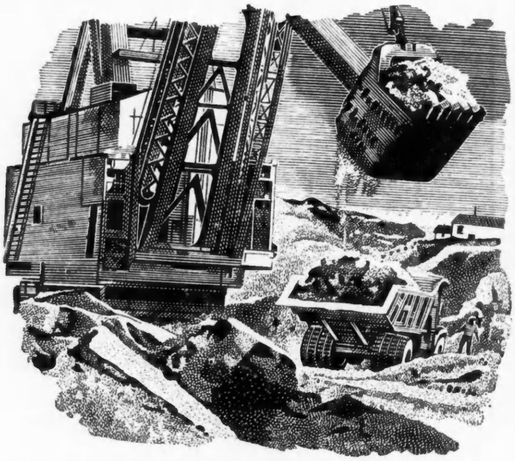
It takes a lot of doing to make a ton of steel. Probably no other industry requires resources so tremendous in variety and extent as those needed in the steel industry just to maintain operations.

And in an industry whose very essence is bigness, National Steel is big!

National Steel owns and operates vast mines and mills, the world's largest open hearth furnaces, a great fleet of lake ore boats and river barges, the biggest and fastest electrolytic plating lines, one of the world's largest continuous rolling mills.

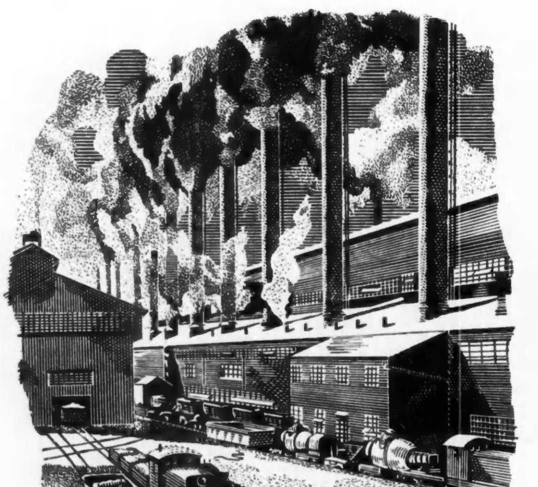
And to meet the growing needs of tomorrow, National Steel continues to expand, with a capacity of 6,000,000 ingot tons annually set for 1953.

This, then, is National Steel . . . growing to serve the needs of all America . . . completely independent . . . completely integrated . . . one of the nation's leading steel producers.

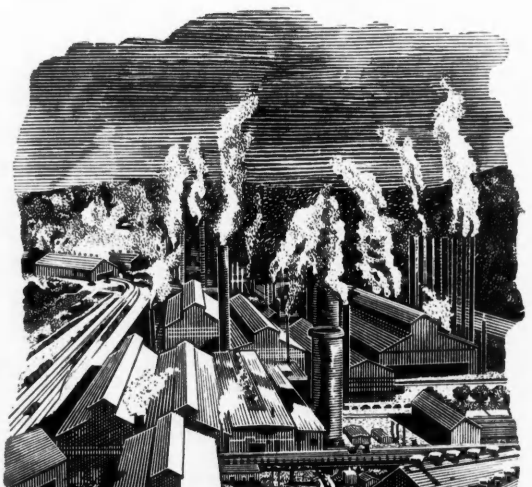


HANNA IRON ORE COMPANY, Cleveland, Ohio—Iron ore properties and mines in Minnesota, Wisconsin and Michigan. In addition, National Steel is participating in the development of the important new field in Labrador-Quebec, where great reserves will help to assure the future supply of iron ore—the basic ingredient of steel.

GREAT LAKES STEEL CORPORATION—Located at Detroit, Michigan, this unit of National Steel is the leading steel producer in that important industrial area. Its complete steel-making facilities enable Great Lakes Steel to furnish a wide range of industries with a large volume and variety of standard and special steels, including famous N-A-X High-Tensile steel.



WEIRTON STEEL COMPANY—The world's largest independent manufacturer of tin plate, with mills at Weirton, West Virginia, and Steubenville, Ohio. A pioneer in developing the electrolytic process for applying protective coatings to steel, Weirton operates the world's largest and fastest electrolytic plating lines. Products include a wide diversity of other finished steels.



Investment Credit of Standard Oil of New Jersey

(*Continued from page* 488)

to technical improvements. Large sums have been spent on perfecting a new refining process called "fluid hydroforming." Its objective is to produce gasoline of unusually high octane rating, thereby enlarging the company's aviation gasoline capacity. Much research is being done in endeavoring to broaden the market for butyl rubber, invented in Standard Oil Development laboratories. Research also is being expanded in attempts to improve exploration activities and in lowering drilling costs.

In line with the industry's high level of operations in 1952, Jersey Standard appears to have experienced a satisfactory year. For the first nine months net profit amounted to the equivalent of $6.46 a share, compared with $6.65 a share for the corresponding period of 1951. Fourth quarter results generally are believed to have ranged above the $2.07 a share reported a year ago, suggesting that the full year's earnings may have compared favorably with the $8.72 a share of 1951.

Although capital expenditures have been maintained at an exceptionally high level in carrying forward a large expansion program, management has maintained a liberal dividend policy. Distributions for 1952 came to $4.25 a share, including a year-end extra of 50 cents, compared with $4.12½ for 1951, or almost 50 per cent of reported earnings. This disbursement compares favorably with the industry average and is generous in relation to records of the past for Standard Oil companies. Jersey Standard has maintained an unbroken dividend record since 1882.

Whether or not this is an opportune time for placing funds in oil stocks is a question on which investment managers disagree. As observed earlier in this discussion, Jersey Standard is the type of stock which one is warranted in considering at any time regardless of current industry conditions. It is the sort of investment one includes as more or less permanent foundation for a portfolio and should fit in almost any type of holding where a return of 5.8 per cent is deemed suitable and desirable.

Some oil authorities have adopted a cautious attitude toward the oils as a group because they have gained wide popularity and are included in many portfolios which might be tempted to liquidate them if a general decline seemed imminent. Uneasiness has been expressed also over the threat of excessive supplies if the Iranian dispute should be settled and if production should be increased about 500,000 barrels a day from restoration of operations in the Abadian refinery. The possibility of a rapid development of Canadian fields also has been mentioned as a possible threat to domestic producers.

Assurance is found in the fact that for many years the industry has been in strong hands and overproduction has been avoided with the assistance of state regulatory authorities. Moreover, petroleum products have increased in price as little as almost any other important commodity. It would seem likely, therefore, that petroleum products are not especially vulnerable to price-cutting although the latter may be expected later on. Generally speaking, the industry is in a strong, healthy condition and, although growth may be more conservative in the next few years than in the postwar boom, there is no indication of a major reversal of the favorable trend. Hence, even though the investor might feel hesitant toward oils as a group, there is no evident reason for a degree of bearishness that would exclude Jersey Standard from consideration as a true investment. Despite its widespread coverage, it still has growth potentialities, regardless of whether the present price may be temporarily high.

Answers to Inquiries

(*Continued from page* 487)

ance claims were for a substantially greater amount than the book value of such properties. Final determination of the assets to be replaced and the treatment for Federal income tax purposes of the excess of the insurance proceeds over the book value of the assets destroyed has not yet been made and, accordingly, no portion of such excess has been reflected in the net profit for the year.

The operating results of the company for the quarter ended November 29, 1952 are not yet available but it is expected that the profits before capital gains and before provision for Federal income taxes and contingencies will be considerably lower than the corresponding profit of $4,170,000 earned for the same quarter last year.

Dividends in 1952 totalled $1.00 per share and the same amount was paid in 1951.

North American Aviation

"As a long term subscriber to your valued Magazine, I would appreciate receiving late operating data on North American Aviation with the company's backlog of orders and important products the company is working on."
A. L., Santa Barbara, California

North American Aviation showed a net income of $7,820,886 after taxes, equal to $2.28 per share for the fiscal year ended September 30, 1952. This compares to net income of $6,421,612 after taxes, equal to $1.87 per share, for the previous fiscal year.

Sales and income for the 1952 fiscal year amounted to $317,198,022 compared to sales and income of $179,443,376 for the previous fiscal year. Taxes took an increased part of income in the provision of $12,500,000 for Federal income and excess profit taxes for the 1952 year against the $8,800,000 provided in the previous year. Federal taxes on income increased to $3.64 a share for the last fiscal year over the $2.56 a share in the previous year.

The company is working on a long range guided missile, electronic and rocket propulsion projects and continuing research and development in the field of atomic energy in addition to the design and production of advance types of airplanes for the Armed Forces.

Planes in production include the Korean famed Air Force F-86 Sabre Jet, the record-breaking F-86 D Sabre Jet interceptor for defense of the continental United States, Carrier Base FJ-2 Fury Jet Fighters and AJ-2 Savage bombers for the Navy and T-28 trainers for both the Air Force and Navy.

The company reported unfilled orders totalling $1,014,000,000 as of September 30, 1952, compared

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Signs of the times at Pure Oil

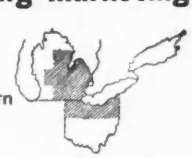
Last August, properties of the Hickock Oil Corporation in Eastern Michigan and Northern Ohio were merged with a Pure Oil marketing subsidiary. This new Pure Oil territory embodies a highly industrialized area which lies immediately adjacent to long-established Pure Oil marketing territory and to three Pure Oil refineries.

Since fall, we've been busy at the task of taking down all "Hi-Speed" brand identification at former Hickock units, and putting up blue and white PURE signs.

"Signs of the times," you might call them. For this expansion move is indicative of what's going on throughout all branches of the Pure Oil Company's operations.

Pure Oil is on the move—on every front.

Merger with Hickock Oil Corporation adds to Pure Oil's existing marketing system:



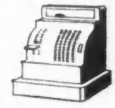
—well established distribution in northern Ohio and eastern Michigan

—68 additional bulk plants

—1,633 additional retail outlets (bringing Pure Oil total outlets to more than 15,000)

—754 additional employees

—a net sales potential in excess of $43 million



The Pure Oil Company

General offices:
35 East Wacker Drive
Chicago 1, Illinois

BE SURE PURE WITH PURE

Producer • Refiner • Transporter • Marketer

Be sure with Pure

Answers to Inquiries

(*Continued from page* 492)

to $551,000,000 at the same time the previous year. The September 30, 1952 backlog figure does not include $307 million of orders in process of negotiation.

During the period between July 1 and September 30, fourth quarter of North American's fiscal year, total sales and other income were $112,968,953. Cost of sales and other expenses amounted to $104,648,067, giving a net income for the quarter of $2,620,886 after provision of $5,700,000 for Federal income and excess profit taxes.

Shipments during the fourth quarter were valued at $111,851,715, compared to shipments of $82,802,324 in the third quarter. A total of $384,634,889 in new business was reported for the fourth quarter, bringing the total amount of unfilled orders to $1,014,000,000 on September 30 as compared to $741,216,826 reported at the end of the third quarter.

Dividend declarations in 1952 totalled $1.25 and the same amount was paid in 1951.

Canada Dry Ginger Ale

"I have been told that Canada Dry Ginger Ale has made good progress in earnings in the past year and as I am interested in receiving late data, would appreciate your informing me as to exact earnings and dividend payments."
W. F., Lexington, Ky.

Canada Dry Ginger Ale Inc., and its subsidiaries reported a net income of $2,301,691 for the fiscal year ended September 30, 1952, equivalent after preferred stock dividends to $1.10 per common share. This compares with $2,157,547 or $1.02 per share in the previous year.

Earnings before taxes were the highest in the company's history, reaching $6,618,131 on record high sales of $66,503,941. Comparable figures for the preceding year were $5,977,455 on sales of $61,413,423.

Several major divisions of operation established individual high marks in sales and operating earnings. Among these were: company operated plants in the U. S., domestic and Canadian licensing and international operations. The company's liquor department, though reporting a moderate decline in sales volume because of the increased excise taxes, suffered appreciably less than others in this industry.

Among the favorable factors achieved last year were the addition of 31 licensed bottlers, including 26 in the U. S., bringing the total to 186 bottlers in all countries. Sales through company plants increased despite the transfer of market areas to licensees. In Canada, sales and earnings were greatly improved following the reduction in April of the Canadian beverage tax. The company plans to extend its licensing program with the addition of about 75 bottlers in the year ahead.

Quarterly dividend has recently been increased from 12½ cents to 15 cents a share and a 10 cent extra was paid on January 1, 1953.

Automatic Canteen Company of America

"Please furnish consolidated net earnings of Automatic Canteen Company of America, listed on the N. Y. Stock Exchange and also highlight operation results for the past year."
J. I., Evanston, Illinois

Consolidated net earnings of Automatic Canteen Company of America for the fiscal year ended September 27, 1952, were $786,267 compared with $769,580 in 1951, an increase of $16,687. Net earnings per share of common stock, based on an increased number of shares outstanding at the end of the year, were equivalent to $1.65 per share compared with $1.65 in 1951 and $1.33 in 1950.

Consolidated net earnings before Federal income taxes amounted to $1,726,267 for 1952 compared with $1,777,580 for the preceding year. Provision for Federal income taxes for 1952 amounted to $940,000 compared with $1,008,000 for 1951.

Consolidated gross revenues of the company for the 1952 year were $40,539,047 compared with $36,737,087 the year before. Total merchandise sales were $38,705,211 compared with $35,279,786, an increase of approximately 10%.

The past year's operations were highlighted by an increase in sales and general increases in costs of merchandise and services. Increased volume was attained both in wholesale sales and in the retail operation of distributing subsidiaries. One of the main factors contributing to the increase in wholesale and retail sales was the continued growth in the volume of 10 cent candy bars sold. A further factor involved in the increase in both types of sales was the expansion of sales of coffee and cigarettes.

Consolidated working capital of the company at the end of the fiscal year ended September 27, 1952, was $1,732,971 compared with $1,886,236 at the end of the year before. New equipment purchases during the year, which amounted to $1,755,199, was approximately equal to the current year's provision for depreciation and the funds provided by earnings were used for the payments required under the long term notes payable obligation and for dividends to stockholders.

For the purpose of exploring the possibilities of retail distribution of holiday gift-type package confections, a wholly-owned subsidiary was formed about a year ago. To date, this subsidiary's progress has been slow but reason ably satisfactory. However, neither its sales nor its operating results are significant in relation to the consolidated totals of the year.

Dividends of 25 cents quarterly were paid in 1952 and in 1951.

Can Armour products help solve an industrial problem for you?

More than 2,000 Armour products are now helping industry!

Today, Armour products are a factor in many industries, just as Armour foods play a mighty important part in many homes.

To name just a few of the industries which benefit from our non-food products, we could start with cosmetics and end up with road resurfacing. In between, we could mention such vast enterprises as rubber, explosives, furniture, plastics, pharmaceuticals, paints, oil recovery and textiles.

Not to be overlooked, of course, are the many plant cafeterias throughout the country which operate more smoothly and efficiently because of Armour foods—and the dependability of our entire organization. We prepare and package many foods especially suited for cafeterias serving factories and large business organizations whose huge number of employees must be fed well—but quickly and at low cost.

The range of our products is an outgrowth of an 85-year-old desire to be of service to industry wherever and whenever possible. The list of our products for industry is long—and still growing.

If you have a particular problem that we might help you solve, we invite you to call on our many products, facilities and experience.

F. W. Specht

President, Armour and Company

You know it's good!

ARMOUR
STAR

The Armour Star label is one of the world's great guarantees!

3 Eastern Roads Compared—Pennsylvania, N. Y. Central, Baltimore & Ohio

(*Continued from page* 468)

in the ability of the road to maintain the earnings uptrend.

Before funds, earnings on the common in 1951 equalled $6.55 a share, with 1952 results estimated at $9.60 a share. The necessity of making provisions for these funds will probably delay another distribution on the shares until near the end of the current year. This is due to the fact that under the bond adjustment plan of 1944, 50% of net income plus an amount equivalent to preferred and common dividends must be set aside for the retirement of debt. Total charges last year were approximately $25 million and not until annual interest charges are reduced to below $22 million can there be any substantial reduction in the total sinking fund contributions.

Achievement of this goal requires retirement of about $56 million of debt taking from three to four years at the prospective rate of annual debt retirement. On the other hand, other means open to the company would be refunding the current $68 million R.F.C. loan with a loan from other sources under terms releasing large amounts of collateral, certain portions of which could be liquidated and the proceeds applied to debt retirement.

In the meantime, however, B. & O., in creating a new office, that of financial Vice President, is laying stress on setting up a budget program to reduce debt substantially and to arrive at a point where it will earn 10% after taxes on gross revenues. At the moment, the latter appears to be an ambitious undertaking, although not beyond the realm of possibility. Within another two or three months, Diesel locomotive power will be handling about 75% of freight traffic and 65% of switching operations. Further operating economies are deemed possible and these should help in attaining the 10% goal. On current traffic volume this would mean $16 or more a share for the common stock, before current funds.

Brightening the B. & O., situation is the opportunity for traffic development in the territory served, embracing the area of widespread chemical development in West Virginia as well as the great steel, coal and heavy industrial area between Baltimore and New York and the Midwest. The B. & O., provides the shortest freight route out of Baltimore to the Pittsburgh, Cleveland and Youngstown steel centers. Iron ore shipments through Baltimore are steadily increasing, and the road has expanded and improved its port and terminal facilities there to handle this business.

New York Central

Complete figures for 1952 are expected to show net for New York Central's capital stock at or slightly better than $3.25 a share. This would compare with 1951 net of $2.28. Of outstanding significance is that practically all but a few cents of the estimated 1952 earnings per share were piled up in the final four months of the year.

Outstanding also is the progress of the road in controlling operating expenses. During the year, it reduced its transportation ratio from 47% in the first quarter to an estimated 41% in the final three months. A handicap of sizeable proportions overcome by New York Central toward the latter part of 1952 was its limited yard space that held freight trains to around 60 units. With the completion of major yard changes it is now able to handle 150 car trains, and this together with expanding facilities and labor-saving improvements have been effective in reducing transportation costs substantially.

Rapid progress is also being made in its diselization program. Practically all of the road's major freight and passenger trains are being hauled by Diesels. With delivery of an additional 90 Diesel units by mid-1953, complete dieselization of the lines east of Buffalo will be an accomplished fact.

Central's management is understood to be confident that with additional diesels in operation and with the Gardenville yard at Buffalo completed and in operation by next summer, it should be able to achieve a further cut in transportation costs in the current year. Barring strikes, and with traffic volume holding up to 1952 levels, it estimates it can improve 1953 net by $1.90 a share over the 1952 estimated figure.

Dividend payments by New York Central amounted to a single distribution of 50 cents in January, 1952, and a like amount in the first month of this year. The road's improvement program has taken a considerable amount of cash and created a large increase in equipment trust obligations. Necessity of meeting maturities of these obligations as well as to provide for further improvements will undoubtedly hold dividend disbursements down to a token level, during 1953, at least. The stock, however, could move into higher ground, reflecting the immediate earnings outlook.

Pennsylvania Railroad

Although figures covering final month's operations have yet to be released, it appears conservative to estimate Pennsylvania's 1952 net income at not less than $2.50 a share. This represents an increase of 23% over the $2.03 reported for the year before, indicating that the road's modernization program, belatedly started, is beginning to produce results. Substantiation of this is furnished by the steady improvement in its transportation ratio throughout the year, dropping from 44.9% in the first quarter to an indicated 40.6% in the final three months, a decline from 47.4% in the first quarter of 1951.

When the road's $651.3 million postwar overall equipment improvements program is completed sometime this year, additional cuts in transportation ratios should be possible. Its motive power modernization program is expected to be finished in March, this year, when the balance of Diesel switchers on order are scheduled to be delivered. With these additional units in service, 91.1% of Pennsylvania's road and yard switching service will be by Diesel or electric power. Yard modernization is not so far advanced as that of New York Central. Work on the Conway yard near Pittsburgh, involving expenditures of $30 million, will probably extend over a three year period. In the meantime, improvements already completed or about to be completed, should enable management to whittle down the transportation ratio. A further

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3 Eastern Roads Compared — Pennsylvania, N. Y. Central, Baltimore & Ohio

(*Continued from page* 496)

cut of three points would amount to about $1.20 a share for the common stock, figuring taxes around 50%.

Pennsylvania Railroad, like, New York Central, has not benefited as much as some of the west and south roads in the industrial expansion of their territories. The new Fairless Works of the U.S. Steel Corporation at Morrisville, Pa., which began operating only a month or two ago, should provide the key to opening up a material industrialization movement all through the Delaware River valley, a development that should create a substantial increase in traffic volume for Pennsylvania.

Pennsylvania is in a good financial position. As of December 31, 1951, its cash and equivalent amounted to $150 million, with net current assets of $161.8 million. The road has not been under as great a strain as Central in carrying out its modernization program and might possibly better dividend distributions that have been at a $1 per share annual rate during the last three years.

Pennsylvania Railroad common, on the basis of the road's improving outlook offers medium-term speculative appeal, possessing, at the same time, long-range possibilities should current earnings improvement continue.

Which Industries Offer Best Prospects for 1953?

(*Continued from page* 458)

its finish.

Prices showed that the inflationary period was waning and many individual items were selling at well below ceilings. Price softness continued into the new year under the pressure of competition. More attractive prices, however, are stimulating consumer interest and it is anticipated that the total retail sales for 1953 will be as high as $170 billion. This means higher unit volume sales are likely to more than offset price decreases.

A factor bringing strong support to the merchandisers is the expected population gain of about 2,650,000 in 1953, with probably over 700,000 new households formed. With employment at the peak of about 62.4 million at full wages, prospects are for continued heavy buying at retail levels.

While the general position is favorable, the situation is by no means uniform. Department stores, with the exception of only a few areas, such as in San Francisco, Dallas and Kansas City, had a comparatively disappointing year and were about 1% behind 1951 in their totals but are expected to improve this record in 1953. Food retailers made the best showing and entered 1953 in a good position to repeat. Shops catering to the school age groups did very well and expect a good year. The projected increase of

about 6.4 million in the 5-17 year age groups in the next three years, offers a firm foundation to the retailers catering to this important group of customers.

Conditions in the chains and mail orders were mixed but showed that they were ending the year more strongly than had been anticipated. Some irregularity in mail order business may arise through the lessening in farm income, but the total volume of their sales should remain high.

The strong upsurge in consumer durables continued on into the new year with a sustained demand for refrigerators, air-conditioning, automobiles and TV. This has been made possible by expansion of installment credits. Some think this has already reached a point of danger. At any rate, the trend bears watching.

Generally speaking, the soundest merchandisers, while optimistic are paying strictest attention to costs, inventories and the current attitudes of customers so that the over-all effect is one of surprising conservatism in forward buying despite the feeling of cheer freely expressed. As long as inventories are kept in balance, the average merchandiser can probably keep quite close to actual sales and handle his affairs accordingly. For this, he must be prepared to offer his wares at prices the now sober-minded public will find attractive. In other words, the situation remains competitive, to a degree, with the best results going to those who can handle their costs efficiently as excessive mark-ups are no longer possible as a factor in profit margins.

NON-FERROUS METALS – The general position and outlook for the major non-ferrous metals – copper, nickel, aluminum, lead and zinc – revolves around the supply-price situation. This differs according to the metal, lead and zinc being in good supply with prices considerably under previous peaks, whereas prices for copper, aluminum and nickel remain strong. The supply situation is still under some controversy on copper, although nickel and aluminum are admittedly some distance yet from fully matching demand.

The copper situation is complicated by the split price. Domestic metal is still held under the 24½ cent ceiling according to decision of The Price Stabilization and the

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Which Industries Offer Best Prospects for 1953?

(*Continued from page* 499)

National Production Authority. However, about 40% of U. S. consumption, that is from foreign sources, is now at the 36½ cent level.

The situation is in flux. With the situation still comparatively tight, though outside world sources are in better equilibrium, it seems that a compromise may be reached between industry interests demanding complete ending of controls and government authorities who may prove more amenable to a moderate price increase, some say to possibly 27½ cents. At the same time, the world price situation is showing first signs of easing and may get down to 30 cents. It seems, however, that some degree of control will continue for a period.

On the basis of present continued high production and prospects for a somewhat better domestic price level, the profit outlook for copper should be reasonably satisfactory for the next half year for the domestic producers. After that period, as world supply and demand come into true equilibrium prospects are that by autumn some real easing in prices may set in.

Lead and zinc have been in plentiful supply for a half-year with prices lower on foreign imports arriving under domestic price ceilings. The price of lead has moved down from a high of 19 cents to the current price, somewhat under 15 cents. The same adverse conditions, noted in lead, have simultaneously appeared in zinc. With trading in both lead and zinc freed in the London market, domestic prices have become subject to fluctuations in that market. Domestic zinc is now 13 cents, with a ceiling of 19.5 cents at East St. Louis.

The situation in aluminum, while improved from the supply standpoint, is still on the tight side. Production last year was 1,880,000,000 pounds, up 11% from 1951. However, owing to the enormous federal program for building airplanes, it is believed the supply is still not adequate. Accordingly, additional tonnages were imported from Canada. Power shortages were also a factor in limiting supplies.

It is expected that stockpiling will be resumed in the second quarter which may have the effect of postponing the ending of controls. This may come, therefore, in about a half year. Another price boost of 1 cent a pound for pig and ingot prices is expected. Profit margins for 1952 were affected by rising charges for accelerated depreciation and this factor will play an even more important part in the current year. Net earnings for most companies will be satisfactory though moderately off from the peak of last year.

The nickel situation still remains tight. Free world output in 1952 was 315 million pounds of which Canada supplied 280 million. Demand from all sources is extremely large though some pressure will be relaxed through the stretch-out of the military program. As a result of the short supply situation, many development programs have been initiated with the purpose of bringing new sources to light. The supply situation is complicated by the rapid development of new metallurgical processes involving increased use of the metal. The use for nickel is fundamentally expanding giving a strong foundation to the industry's prospects.

LIQUOR INDUSTRY – The keynote to this industry's prospects during the coming year is extreme competition and the burdensome excise tax. Sales of distilled spirits have generally fallen to a 10-year low in many states. And, as a matter of fact, bootlegging and moonshining have again appeared as competition to legitimate interests. With the start of the new year, price-cutting has commenced to appear and this is bound to attain momentum. The depression which has hit the industry has affected all levels, from distilling to wholesale and retail, and this has affected allied industries.

Imported goods have as yet not been much affected but are bound to be as domestic competition becomes more intense. Inventories of whiskey are extremely large

and as these stocks come out on the market, competition in the lower-priced goods will become intensified. Liquor interests feel that unless they can secure relief from the high excise tax, their problems will continue to mount during the coming year. Profits which slumped sharply in 1952 will undoubtedly be lower in 1953.

MEAT PACKERS – Smaller earnings were reported for the principal meat packers for the fiscal year ended last Oct. 31. Inventory losses played a part in some cases, the ratio to profit (or loss) depending on which system of inventory accounting is used by the individual company. For example, where LIFO is in use, inventories are minimized at a time of falling prices.

Prospects for 1953 are held somewhat improved with meat production rising, a factor of importance in the industry which benefits from a higher volume. It is estimated that production will be 23.5 billion pounds in 1953, or 4% over 1952. Consumption should remain proportionately high with sustained volume of income by the population.

A good deal depends on whether government controls can be ended or, at least, moderated. There is little doubt that the packers would benefit from a free market.

Packers fared poorly with their by-products last year, especially with regard to tallow and cured hides. With improved demand for these products, it is expected that prices will be somewhat firmer. There have been indications of this in recent weeks.

TOBACCO INDUSTRY – The cigarette-manufacturing industry, having been plagued with high leaf prices and federal controls over the manufactured product, in addition to the excess-profits tax, is hopefully looking forward to next April 30, when price controls may go overboard, and next June 30, when the excess-profits tax is expected to lapse. It may be, of course, that the industry will be disappointed on both counts. While all companies acknowledge the benefits that would accrue from wiping out the excess-profits tax, there is a good deal of apprehension lest the ending of price controls put at least one of the "Big Five" in a position to derive a competitive advantage by holding on to existing prices. This, of course, would prevent the others from marking up their prices – More important is the shift in trend in consumer taste, with a good deal of uncertainty as to the ultimate effects of the increase in demand for king-sized and filter type cigarettes or the more conventional types. This involves major policy decisions on the part of the leading companies.

From the more immediate standpoint, the earnings situation has improved somewhat for some of the companies and this will become more in evidence as the prospective lower-cost leaf commences to be worked into the manufactured product on an increasing scale.

The cyclical position of the industry remains fundamentally strong with per capita consumption ever increasing. Production in 1952 was 432 billion units, compared with 418 billion in 1951.

Most companies have completed their financing, where needed, and are in a good position to meet future working capital needs. On the whole, the industry stands in an improved position as compared with 1952 and earnings should reflect this change, especially if federal controls are ended and excess-profits ended.

The cigar-manufacturing end of the industry has improved and the outlook is for sales of 6.5 billion cigars in 1953, compared with 6 billion in 1952. The sharp upsurge in cigar smoking is due to a wide-spread prosperity and also to the fact that most cigars are not high in price, compared with other products. The more expensive type of cigars are in especial demand, those costing 20 cents or more increasing more rapidly in sales than the cheaper brands. Indications are that 1953 will prove a more profitable year for the industry than any since the ending of World War II.

In the Next Issue

— Special Review of

40 Leading

Public Utility Stocks

Production and Distribution

(From 8th quarterly Report to the President by Director of Defense Mobilization)

With supplies of most materials generally increasing and requirements for most programs leveling off, it should be possible during 1953 to maintain the steady pace of removal and relaxation of production and distribution controls that has characterized the past year.

However, some controls on a number of the scarce materials which are heavily used in military production clearly must be retained.

Production and distribution controls have been under constant review and action is being taken to eliminate or relax them as rapidly as supplies are brought into balance with ttoal requirements—both military and nonmilitary, including the stockpile.

Most of the materials and products that were originally placed under production, distribution and inventory controls are now freed from control. Among these are *zinc, lead, cadmium, antimony, bismuth, sulfur, sulfuric acid, methylene chloride, hides, skins, leather, artificial graphite,* and almost all *rubber* and *textiles.*

Non-nickel bearing stainless steel, aluminum foil, and *aluminum powder* have been removed from allocation under the Controlled aMterials Plan.

Users of other materials have benefited from the removal or relaxation of orders prohibiting or limiting uses. The prohibition on the use of *copper* and *copper base alloys* in certain building materials, hardware, and other items has been lifted.

The importation of *tin* for nongovernmental use has been returned to private hands, allocations of pig tin have been discontinued, and limitations on use have been eased slightly. However, the basic use restrictions, quotas, and inventory controls are still in effect.

The limitation on the manufacture of *machine tools* for civilian use has been eased. The portion of production which may be delivered to nonmilitary producing buyers has been raised from 30 percent to 40 percent except in the case of critical types of tools.

The procedures for obtaining materials under the Controlled Materials Plan have been steadily libera'ized to reduce the number of firms which have to file applications. Only 11,500 applications for initial allotments under CMP have been received for the first quarter of 1953, compared to a peak of almost 50,000 in the fourth quarter of 1951. This has resulted in great savings to business—particularly small business—in time, money, and paper work.

Two important changes to this end took effect on January 1, 1953. One increases the amount of steel and copper which may be used in housing, commercial construction, schools, hospitals, and other public construction without applying to the Government for approval under CMP. The other establishes an "automatic allotment" procedure for certain manufacturers, under which they may calculate their own allotments of copper and aluminum up to 100 percent of the amounts they received in the third quarter of 1952. Automatic allotments of several types of steel may also be calculated at varying proportions less than 100 percent.

Also on January 1, the prohibition on *recreational construction,* which has been in effect since October 1950, was lifted.

Many Economic Controls Can Be Relaxed in 1953

As the military production program levels off, and as the capacity of the economy continues to rise, many of the economic controls that have supported the defense program for the past 2 years can be removed or relaxed during 1953.

Considerable relaxation of controls has already taken place, in accordance with the basic policy of the President and the Congress that controls should be maintained only as long as necessary to assist defense production or to prevent undue strains and dislocations in the economy.

Many of the priority and allocation measures affecting materials and production have been removed as shortages have been overcome.

Our present calculations indicate that, during 1953, the Controlled Materials Plan — under which steel, copper, and aluminum are allocated — can be progressively relaxed. Before the end of the year, allocation of most shapes and forms of the three materials can probably be confined to military and atomic en-

ergy programs and the needs of the stockpile. For a few shapes and forms, where shortages persist because of heavy requirements for defense and defense-supporting programs, a broader allocation system would be necessary.

Relaxation may be possible sooner in the case of steel than copper and aluminum, because of the need to maintain a steady rate of stockpiling of the latter two materials, now being resumed.

The timing of these actions depends in part on decisions which will be made by the new Administration and the new Congress as to the size and speed of the military procurement program.

Certain other materials — notably some of the alloying metals— state of severe excess of demand will continue for some time in a over supply, particularly if we are to move in an orderly fashion to achieve our stockpile goals at a reasonably early date.

Various categories of equipment—for example, heavy specialized machine tools and heavy power equipment—must also be produced and delivered according to production scheduling orders that give a high priority and fixed position for military facilities and key defence-supporting projects.

If all allocation controls, limitations on materials usage, and scheduling of equipment deliveries were to be ended prematurely, not only would the current military production program and an orderly completion of key expansions programs be severely hampered but stockpiling would be made more difficult. On some materials, any delay in stockpile accumulation could render us dangerously unprepared in the event of a major war.

Monetary Credit Policies

Maintenance of stable credit conditions has long been recognized as an important influencing factor in the maintenance of high activity and employment. Important responsibilities in this area have been assigned by the Congress to the Federal Reserve System; and these responsibilities involve keeping fluctuations in the total supply of credit from becoming so excessive as to endanger healthy economic growth and the maintenance of sustained high activity.

The Treasury has the responsibility for debt management policies. The public debt at the close of the fiscal year 1952 amounted to over 40 percent of all debt, publice and private; and among the important holdings of Government securities were those of the banking system. It is clear, therefore, that the Federal Reserve's responsibilities for sound credit policy and the Treasury's responsibilities for sound public debt policy are intermingled and must be discharged cooperatively. The broad objectives of the two agencies are the same. The problem is to balance the many difficult considerations that enter into policy formation on each particular matter involving both debt management and credit policy.

Throughout the period since the close of World War II the Treasury and the Federal Reserve System were agreed upon the fundamental objective of maintaining a high level of production, employment, and income with as great price stability as possible under the varying conditions which existed in the economy. The related objectives which were involved as the postwar period proceeded were also a matter of agreement between the two agencies. These included: (1) maintenance of confidence in the credit of the Government; (2) maintenance of a sound market for the securities of the United States Government; (3) restraint, during much of the period, of over-all credit expansion; (4) increase in the ownership of Government securities by nonbank investors and reduction in the holdings of the banking system; and (5) adjustment from time to time in the wartime pattern of interest rates, as this became appropriate.

There were differences of opinion on various occasions as to the techniques which should be employed in reaching these objectives. But there was never any disagreement as to the fundamental goal — to promote stable economic growth through credit and debt policy while meeting the fiscal requirements of the Government.

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Monetary Credit Policies

(*Continued from page* 503)

During these years, the Treasury and the Federal Reserve worked together on the several programs which were undertaken to achieve their joint objectives. The two agencies cooperated in a debt reduction program concentrated on the holdings of the commercial banking system. Both agencies were also in favor of encouraging savings throughout the economy. They were in agreement that, when the occasion called for them, selective credit controls and other selective restraints were useful in dealing with inflationary pressures.

In the process of carrying out these programs, the views of the two agencies often differed as to matters of emphasis, selection of instruments and methods to be employed, and timing. All of these matters, however, were the subject of continuing consultation between members of my staff and myself, on the one hand, and representatives of the Federal Reserve System on the other. Following such consultations, actions were taken by the responsible agency which in its judgment provided the best solution of the problems under consideration, on the basis of all available evidence and views.

The outbreak of hostilities in Korea presented new problems of monetary and debt management which increased the need for cooperative planning and consultation between the Treasury and the Federal Reserve System. The situation which we faced at that time differed from any in our previous experience. The attack on Korea and the response of our country and the United Nations to it did not precipitate an all-out war; yet the defense program of the United States and of the free world had to take into account the fact that further Communist aggression might at any time be attempted.

The new strains which these developments placed on our economy and on the finances of the Government were recognized by the Treasury and the Federal Reserve. On March 4, 1951, the two agencies made a joint announcement emphasizing their common purpose in assuring the successful financing of the Government's requirements and maintaining soundness in the public debt structure. As the result of the continuing joint efforts of the two agencies, the financing of the Government's requirements, including its requirements for new money during the period of the Korean emergency, has been successfully conducted with a minimum strain on the financial structure of the Nation.

From Annual Report of Secretary of the Treasury.

The Trend of Events

(*Continued from page* 448)

underselling us both at home and abroad in a specific field, complains are loud and not slow in forthcoming.

The answer, of course, is that we cannot have our cake and eat it. Either we give Europe a chance to get on its feet, even at the risk that some industries may lose a little business, or we shut the gates and keep Europe on a permanent dole. One way or the other we must keep Europe solvent or nearly so, or open the way for Stalin and his robots.

OFFSHORE OIL AND THE NAVY . . . Harry Truman's parting shot to the incoming Administration was his executive order placing offshore oil lands under control of the Navy. This late move may prove an embarrassment to President Eissenhower who will not be enthusiastic about being placed in a position where he may have to oppose the Navy's free access to the oil. During the campaign, it will be remembered, he supported state control of the lands involved. He can, of course, issue a new directive, cancelling ex-president Truman's order.

The probabilities are now, however, that he will wait for Congress to make the next move in this highly controversial business. In that case, the Supreme Court might again have to pass on the validity of the new legislation. It now seems, therefore, there may be a delay in placing the offshore oil lands under the states. This will be a disappointment to those private companies that will again have to postpone their plans to develop these resources.

Market Interest in Special Situations

(*Continued from page* 451)

farm machinery, proprietary drugs, lead and zinc, rail equipment, movies and textiles. Video stocks have "cooled off", perhaps allowing for the intense competition ahead. Among oils, we note more investment interest in gas-rich issues than in others; and more interest in West Coast oils than in oils generally.

A conservative, selective policy —rather than an all-out bullish one—remains in order. It calls for keeping a reasonable proportion of funds employed in sound, individually favored stocks, a reasonable proportion in reserve.

Monday, January 19.

As I See It!

(*Continued from page* 449)

the non-intervention schemes of Messrs. Baldwin and Chamberlain were a sad farce which contributed to the undermining of the old League of Nations. When, in January 1935, the Nazis occupies the Saar and a few months later repudiated the disarmament clause, it was sad-faced Mr. Chamberlain who stayed the countermeasures threatened by indignant France. A few months later, the same Mr. Chamberlain concluded a secret naval pact with Germany.

A British Foreign Minister, Sir Samuel Hoare, cooked up a scheme with foxy Laval of France on how a greater part of Ethiopia could be handed over to Italy. When the "deal" became known the force of public opinion forced Sir Samuel to resign, but then the damage was done. It was the British who opposed the embargo on oil shipments to Italy proposed by the United States and had small thanks from Mr. Mussolini for it. It was the British "mediator", Lord Runciman, who forced the division of Bohemia on the Czechs in order to appease Hitler. "Munich" and the final collapse of Czechoslovakia followed.

Why revive these dead issues? To point out that the prewar British policy of temporizing with aggressors in order to preserve the status quo (at the expense of others, but not of the British Empire, of course) has not paid off. To the Kremlin, to Peiping and Ponggyang, to compromise is to show weakness. The British, who spearheaded the progress of the Western world toward freedom, who, in the words of the historian Toynbee, "came out with the best solutions which our Western society has been able to find for the problem of transposing the political and economic achievements of human society", were at their best as the leaders of coalitions against such autocrats as Philip II, Napoleon, and Hitler. Unless they learn again to act boldly and with imagination they are likely to be marked as obstructors in the struggle against the aggressors.

BOOK REVIEWS

THE INVESTMENT COMPANY AND THE INVESTOR

By RUDOLPH WEISSMAN

Here a well-known authority on finance explains the operation of the investment company and the possibilities it opens to both large and small investors. Mr. Weissman describes the earlier experience with this type of investment in England and America; he reviews the records of some of the leading companies today; and he discusses in detail the policies followed and the results achieved by the two major types of organization, the "closed-end" and the "open-end" company.

The volume is a valuable guide for the investor who is seeking to combine the reasonable security of principal with regular dividend yield that may be obtained through a wisely selected investment company. The book will be of interest to those working within the investment field and to all who are investors or prospective investors in funds based on prudent diversification.

Harper $3.50

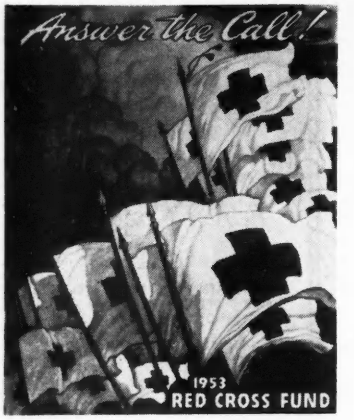
PRACTICAL SALES PSYCHOLOGY

By DR. DONALD A, LAIRD AND ELEANOR C. LAIRD

Four million people make their living by selling. To be a good salesman, you must develop selling techniques that will keep pace with the growing demands of the field. PRACTICAL SALES PSYCHOLOGY supplies these techniques. It is written for the new-style salesmaker, with emphasis on the modern psychology of selling. It is a practical, sound self-training manual for today's salesmen and saleswomen—whether they are in retail, insurance, route, or engineering selling.

Dr. Laird's training as a psychologist and his business career in the field of consumer analysis and research have given him an ideal background for writing this book. In a world of ever-increasing sales competition, PRACTICAL SALES PSYCHOLOGY will help every salesman to sell the right goods to the right people at the right price and in the right way.

McGraw-Hill $4.00



BOOK REVIEWS

MASTER OF THE WORLD

By COTHBURN O'NEIL

In the 15th Century one man was master of the world. His empire extended from the Great Wall of China to the Mediterranean Sea. Nations sent him beautiful wives as tribute and accepted his sons as rulers. That man was Tamerlane.

Tamerlane, called lord by his women, barbarian and dog of the steppes by his enemies, descendant of Kublai and Genghis Khan by historians, has fired the imaginations of dictators in our time. His personal exploits, his fabulous mission, and his amazing philosophy of life have been fused into a blazing novel twenty years in the writing, by Cothburn O'Neal, professor and scholar of the subject.

Crown $3.75

CONFERENCE ON RESEARCH IN BUSINESS FINANCE

Research on sources and uses of corporate funds is the opening topic, on which Loughlin F. McHugh, Charles H. Schmidt, and Lawrence Bridge contribute papers. These deal, respectively, with a Department of Commerce project for developing a reliable historical series on fund sources and uses, the inadequacy of data on the relationship between business size and financing practices, and the problems of financial research on new and small businesses.

In part one of the next paper Edgar M. Hoover and Burton Klein explore methods of projecting business capital requirements, and in part two Albert R. Koch projects the capital needs of manufacturing corporations for five years.

A classification of factors influencing managerial decisions on corporate financial structure is presented in the fifth paper, prepared jointly by Neil H. Jacoby and J. Fred Weston, after which the broad implications of the relative rise in capital financing by means of debt instruments are dealt with by Homer Jones.

Discussion of debt versus equity in corporate financing continues in the two concluding papers. In these David Durand attempts to formulate a working definition of the costs of capital, and Franco Modigliani and Morton Zeman give a progress report on their studies of how business investment decisions are affected by the terms on which capital funds are available.

$5.00
National Bureau of Economic Research

HOW TO GET RICH IN WASHINGTON

By BLAIR BOLLES

This book exposes a profound and disturbing change which has taken place in our government... a change that affects not only your pocketbook but the bedrock principle of equality before the law.

It tells how and why certain favored citizens (who are named) are enabled to improve or safeguard their personal finances at your expense.

How to Get Rich in Washington is the story of the Rich Man's Division of the Welfare State, where "the friendship principle" rules the roost. Citing chapter and verse, it uncloaks the secret of selling the government the same inventory twice.... the technique of making money through an honest bureaucrat... a system for running six hundred dollars into a million—*and the price* you *pay.*

Here for the first time is the real story *behind* the headlines—the whole sordid picture with all the parts in place. .You get the complete background of events, set in proper perspective. Though the details are sensational, every one is carefully documented.

Norton $3.75

THE TECHNIQUE OF EXECUTIVE CONTROL

Throughout past editions, the text has limited consideration to line-executive techniques as they increase and further human productivity. The seventh edition continues this precedent. New case problems and accompanying discussion questions have been added, and the final bibliographical chapter has been completely revised to include the latest selected references. In addition, a chapter dealing with the "Techniques of Executive Improvement" is included and reflects the growing interest in the organization and administration of improvement policies.

Since publication of the first edition, many new aspects of supervisory responsibilities have been added, such as the problems of stimulation, collaboration, and special aspects of proficiency. These developments and many others will be found in this new edition, which, as before, drives squarely at the solution of problems of executive-employee relationships.

McGraw Hill Book Company $3.50

CHEMICAL INVESTMENTS

By JOHN F. BOHMFALK, Jr.

A book which interprets research and growth for major end-product groups and for twenty leading chemical process companies.

Chemical Investments points out that research and development expenditures are interrelated with company growth and suggests a statistical approach which can serve as a guidepost to the analysis of research efficiency.

This empirical approach to research activity and company profits is modified for practical application in investment analysis.

Chemical Investments relates research to the rates of growth in specific areas of chemical activity, including:

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AGRICULTURAL CHEMICALS
FLUORINE CHEMICALS
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Chemical Investments presents estimated profit gains related to the current market value of chemical companies' common stocks. The book examines for 20 chemical companies their current developments, discusses their management and research policy, and analizes the outlook for each company.

Chemonomics $5.00

TAXATION AND BUSINESS CONCENTRATION

The bulk of this symposium volume is devoted to a timely examination of those aspects of the federal tax structure that may foster business concentration.

The symposium is introduced with an exploration into the question of whether business concentration is on the increase. That question is further spelled out in discussions of the trend in specigc areas—retailing and tobacco manufacture.

The symposium participants included a number who felt that certain elements of the present tax structure do tend to foster concentration because of their discriminatory impact upon small business. Others among the participants denied that the specific tax provisions which they were asked to discuss had any tendency in this direction. This volume provides an opportunity to compare these differences in viewpoint and permits the reader to sense the more fruitful areas for improvement of the present tax structure.

Tax Institute $5.00

INTERNATIONAL TRADE AND ECONOMIC DEVELOPMENT

By JACOB VINER

This book deals with the application of the theory of international trade to current questions of commercial policy and of economic development, especially as they bear on the concrete problems facing under-developed countries. It is a central thesis of the book that there had been need of "modernization" of the classical theory of international trade in order to take account of recent developments in economic theory, of changes in the patterns of economic process, and of the special needs of underdeveloped countries.

The author offers some suggestions as to how classical theory and modern innovations in economic theory can be most fruitfully consolidated, with specific reference to the mechanism of international trade, the gain from foreign trade, exchange rate theory, national economic planning and commercial policy. The final chapter discusses the economics of development, with special reference to the bearing thereon of growth of populations and of irrational biases in favor of industrialization and urbanization.

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COMMON STOCK INDEX

1953 Grouping of the 300 Component Issues

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L—Component of the 100 LOW PRICED STOCK Group (Closing 1952 below 19⅛)

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L—Minn.-Moline
Oliver

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L—Curtiss-Wright
H—Douglas
Grumman
Lockheed
L—Martin
L—Nor. Am. Aviation
L—Republic Aviation
United Aircraft

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L—Braniff
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7—AMUSEMENT
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H—Borg
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Stand. Steel Spring
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Timken Detroit

10—AUTOMOBILES
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L—Hudson
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L—Lehigh Valley Coal
L—Phila. & Rdg. C. & I.

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L—Int. Tel. & Tel.
H—Western Union

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L—Certain-teed
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7—CONTAINER
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H—Container Corp.
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L—Crown Cork
L—Gair
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5—DRUGS & TOILET ARTICLES
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L—Laclede Gas
L—L. I. Lighting
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L—New Eng. El. Sys.
Niag. Mohawk Pr.
L—Northern States Pr.
Pac. Gas & Elec.
Penn. Pr. & Lt.
L—Potomac Elec. Pr.
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L—Sheraton

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L—United M. & M.

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H—Goodyear
U. S. Rubber

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Lorillard
H—Phillip Morris
H—Reynolds Tob. "B"

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H—Woolworth

16—UNCLASSIFIED
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L—Avco
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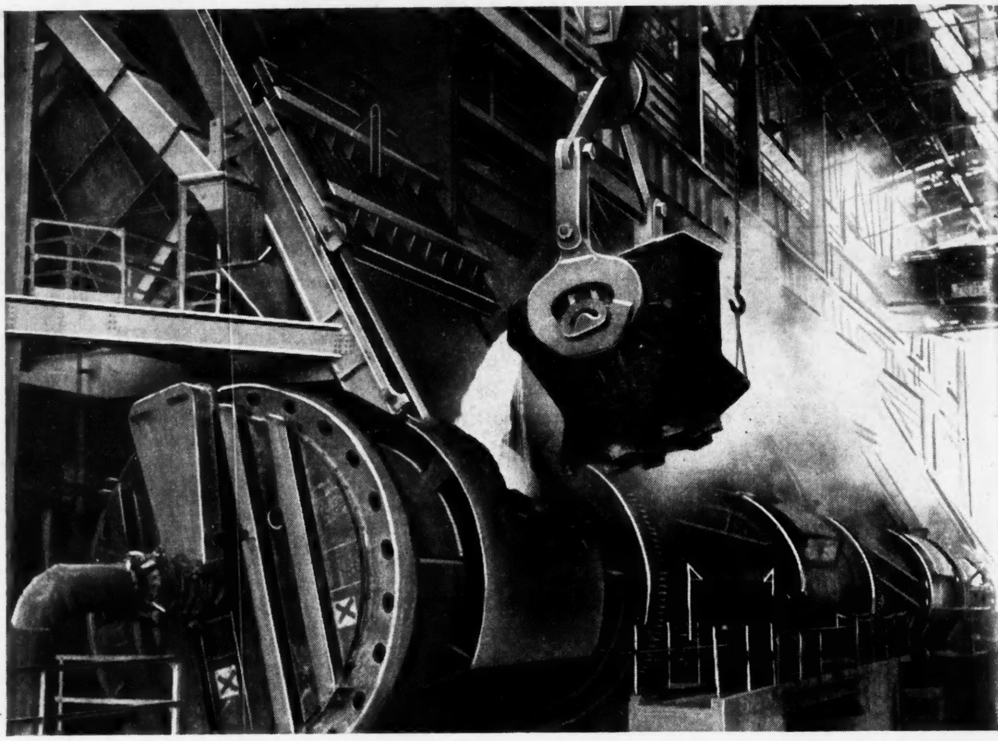
H—Procter & Gamble
L—Shattuck (F. G.)
L—So. Am. Gold & P.
Stone & Webster
L—United Cigar-Whelan
H—United Fruit



Molten "matte" from the reverberatory furnace being charged into a converter at Chile Exploration Company's new Chuquicamata Sulphide Plant. The "blister" product of the converter, about 99% copper, is being shipped to Anaconda's Raritan Copper Works at Perth Amboy, New Jersey, for electrolytic refining.

there's a new flow of copper in Chile!

On November 5, 1952, the first copper was poured from Chile Exploration Company's new Sulphide Plant at Chuquicamata, Chile. Thus was marked the beginning of a new cycle of development of the Chuquicamata Mine—the tapping of the huge reserves of copper sulphide ore.

Heretofore, Chile Exploration Company had mined and treated only the oxide type ores, producing in recent years about 360,000,000 pounds of copper annually. Now, with the new plant, the Company is beginning to mine and process the sulphide ore underlying the oxide ore zone. The Sulphide Plant, begun late in 1948 to handle the increasing amounts of sulphide ore encountered in the pit, is built on a scale in keeping with the magnitude of the ore body. From this multimillion dollar project will come a steadily increasing flow of copper until its output capacity, coupled with that of the existing oxide plant, *exceeds 500,000,000 pounds of copper a year.*

This expansion of Chilean copper production is only one part of Anaconda's company-wide expansion, improvement and modernization program. Other phases of this program are increased zinc production . . . an aluminum reduction plant . . . a new "open pit" copper mine at Yerington, Nevada . . . increasing copper production from Butte mines . . . modernization and expansion of fabricating plants. All serve the same purpose: more metals for the metal-hungry U. S. economy. 52328-A

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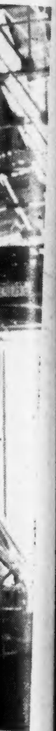

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